A History of Canadian Imperial Bank

Compliments of CIBC

1973

1999

How does a venerable institution adapt quickly to sometimes volatile global markets and shifting domestic demands of the late twentieth century?

In *A History of Canadian Imperial Bank of Commerce, Volume 5 1973–1999*, the story of CIBC unfolds amidst a backdrop of world-changing events, economic booms and busts, and memorable moments in Canadian history. This era of the bank saw challenges such as the

responsible for the bottom line to those working on the front lines, serving bank clients day in and day out. *A History of Canadian Imperial Bank of Commerce* brings to life the strategic changes that have propelled CIBC forward as it creates enduring value for its stakeholders.

A History of Canadian Imperial Bank of Commerce

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Volume 5
1973–1999

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Foreword

AS A STUDENT OF HISTORY, I have long valued how it can be the very fabric that binds us all together — whether it be the history of our families, cultures, countries, or institutions. Each person and each generation contributes to the narrative and record of their respective times.

CIBC is no exception. Since its founding on May 15, 1867, our bank has embarked on a journey of being there for our clients and communities through both good times and challenging times. Ours is not only a history of a bank, it's a story about our people, our clients, and our communities — and it's about making a difference.

My own story with CIBC began in 1985 as a Customer Service Representative at our Bloor & Fieldgate branch in Mississauga, Ontario. When I was appointed President and CEO nearly 30 years later, one of the first things I did was immerse myself in the first four volumes of our bank's history (1867 to 1972). For me, it was important to discover the challenges and opportunities, understand the successes and failures, and gain insight into the decisions that characterized decades past. Those four volumes were an informative window into the work of those who came before us. And, once absorbed, I knew we needed to write the next volume of our bank's story.

This, our fifth volume, begins in 1973 and ends in 1999. These pages chronicle fascinating times in the life of our country and our communities. The tumult of the OPEC oil crisis, wage and price controls, recessions, referendums, the collapse of corporate giants like Massey Ferguson, Dome Petroleum, and Olympia & York, and bank mergers — all contrasted with the highs of growth, innovation, industry firsts, increasing diversity, the advancement of women, strengthening our communities, and even helping bring a Major League Baseball team to Canada.

Our story is expertly told by Rod McQueen, a well-known and respected writer. A journalist for 30 years, writer for numerous publications, and an award-winning author of 20 books, Rod's passion and knowledge of business, the economy, international trade, and politics made him the ideal choice to pen the next quarter century of our bank's history. Over the course of many months, Rod immersed himself in CIBC's archives, poring over bank publications and documents, and interviewing board members, executive officers, and team members. His meticulous research has produced a thoughtful and compelling narrative. We are indebted to him and extend our sincere thanks and appreciation for his work.

I also want to convey my sincere thanks to the many CIBC team members, including our archivists, who contributed their time, effort, and expertise to see this book through to completion. To our publisher, whose counsel, professionalism, and commitment to excellence was incredible, thank you.

And, finally, I want to recognize and thank the many generations of CIBC team members who have worked with our clients across Canada and around the world to help make their ambitions a reality. We are proud of everything you have done and continue to do to serve our clients with purpose and build strong, vibrant communities.

In the pages that follow, you'll discover that a lot about our bank has changed through the years. Yet, the dedication, professionalism, and genuine caring of our team remains constant, even when tested. Our bank's history lives in all of our team members — past and present, individually and collectively.

For our clients, team members, retirees, board members, investors, shareholders, and students of history — it is a privilege to share our continuing story with you. A story well and caringly told — one that continues to unfold today with a new look for our bank, including a new logo connecting our storied heritage to our present and our future — and serving as a symbol of an enduring commitment to our clients. It's a story that continues to inspire and bind us together.

Victor G. Dodig
President and CEO
CIBC

Taking the Helm

The history of the Canadian Imperial Bank of Commerce is a work in constant progress. The bank's story has previously been told through four volumes beginning in 1867, the same year as Confederation. As the bank spread across Canada, its relevance and relationships grew among consumers and commercial customers alike in many hundreds of communities. This fifth volume begins with the appointment of Page Wadsworth to succeed the autocratic Neil McKinnon, a time when the bank started to become a more open institution with responsibilities shared among senior executives. During the years covered in this volume, 1973 to 1999, other important changes occurred that include the rise of women to occupy executive roles as well as the arrival of technology. Both were seismic events that altered the bank forever and for the better.

Neil J. McKinnon, 197[3].

Jeffrey P.R. Wadsworth, 197[4]

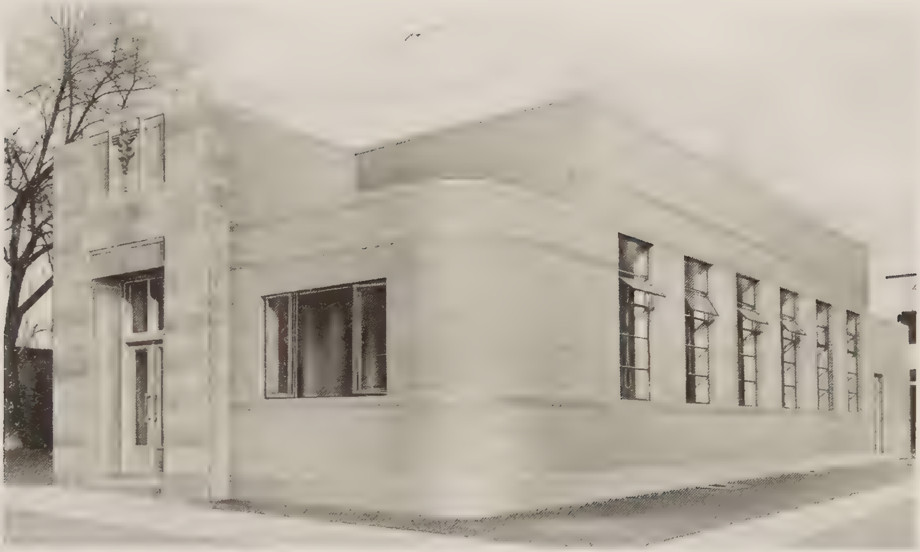
When McKinnon stepped down in 1973 as chairman of Canadian Imperial Bank of Commerce, continuity of the institution was paramount. The Bank's board of directors sought to choose the individual who could best lead the bank into the future while maintaining the trust and traditions of the past. The board's selection of Jeffery Page Rein Wadsworth was as canny as it was obvious, given that he'd been the bank's second-in-command for the previous two years.

At the same time, the directors designated Russell Harrison as president and chief operating officer. Donald Fullerton replaced Harrison as executive vice-president and chief general manager. In so doing, the board established a team and a succession plan that endured for the next twenty years.

At seventeen, Wadsworth had joined the Port Credit, Ontario, branch of the Standard Bank of Canada in 1928, shortly before it merged with the Commerce.

Wadsworth's talents were quickly recognized. After gaining experience in the branches and the inspection department at head office, in 1939, he received his first managerial posting at Toronto's Bloor and Ossington branch. He oversaw a staff of five and had the discretion to make loans up to $1,000, more than enough for a customer to buy a new car.

Banks so tightly controlled employees' lives that when Wadsworth was told on a Friday in 1950 he was being posted to Calgary, he was instructed not even to tell his wife until Sunday night in case word leaked prior to the announcement on Monday.



The Canadian Bank of Commerce, Port Credit, Ontario, 1947.

Although Wadsworth was the equivalent of a regional manager in Calgary, he was called superintendent, a title that did not carry much heft in the U.S. "This archaic title was something of an embarrassment to Wadsworth when he travelled to the United States in furtherance of the bank's business," wrote Philip Smith in *The Treasure-Seekers: The Men Who Built Home Oil*. "One oil man in the Midwest, having studied the business card, asked him politely, but with considerable puzzlement, 'Do you look after *all* the bank's buildings or just head office?'"[1]

By the time of the annual meeting in December 1958, Wadsworth was back in Toronto as a vice-president and a member of the bank's board of directors. He told shareholders that the bank served more than two million customers, had 10,000 employees, and 807 branches including thirty-two branches that had opened during the previous twelve months. But, more important than merely reciting numbers, Wadsworth demonstrated that, unlike McKinnon — who had rarely visited the branches — he was a people person who greatly respected

the bank's employees. At the 1960 annual meeting, he used glowing words to describe his tour that fall of branches in Western Canada. "It was quite evident that in nearly every case even the newest and youngest member of the personnel had quickly become a member of the team and did not regard a position with the bank as 'just a job,'" he told the shareholders. "The leadership of the senior men and women in the branches is instrumental in infusing this team spirit which will contribute much to our progress in the years to come."[2]

Troubled times, however, were just ahead. In a 1963 column in the *Toronto Star*, Jack McArthur described bankers as "sober, careful, responsible." Little wonder, given the economic issues McArthur listed, including "the devaluation of the Canadian dollar and the currency crisis which shredded our reserves of U.S. dollars and gold; the switch from a floating exchange rate to a fixed one; and the 1962 austerity program as a last-ditch — and successful — attempt to prevent the international value of the dollar from dropping out of sight."[3]

For Wadsworth, there was no room for complacency. "The crisis experienced with respect to our exchange reserves and the foreign exchange value of the Canadian dollar in 1962, together with the immediate reaction to the interest equalization tax proposed by the United States this year, are reminders of the basic sensitivity of the Canadian economy to judgments made and decisions taken in other countries," he said.[4] While all banks played an important role in the growth and development of Canadian industry and expertise, Wadsworth continued, "this bank, in particular, provides a worldwide banking service with constantly expanding facilities to Canadians with interests outside Canada, be they exporters, importers, investors, or travellers on business or pleasure."

ON THE LOCAL SCENE, Wadsworth often acted in concert with others just as he did at the office. In 1960, Wadsworth had been invited to join the Toronto Redevelopment Advisory Council, a group of fifteen business leaders who met with the city planning commissioner to offer suggestions about downtown renewal. Among the private sector participants on the committee, the banks

Postcard, 1971. This image was also incorporated into a Lucite commemorative paperweight.

The fountain in the centre of the courtyard was designed to be an employee meeting place

were the most active as downtown Toronto was transformed. CIBC expanded its head office to include three new buildings designed by I.M. Pei: Commerce Court South at five floors, Commerce Court East with thirteen floors, and Commerce Court West with fifty-seven floors. Completed in 1973 at 240 metres, Commerce Court West was the tallest building in Canada as well as the largest stainless-steel-clad building in the world. The two other new buildings in the complex were faced with limestone in order to blend with the exterior of the thirty-four-storey Commerce Court North (CCN).

As part of the expansion, CCN was restored and updated. The edifice features sixteen enormous heads, four on each side at the top of the buttresses,

Behind these giant sculptures was an open-air observation deck, a popular destination for locals and tourists alike. It closed in the late 1960s.

thirty-two storeys or 110 metres above the ground. Each bewhiskered head is twenty-four feet tall; half are depicted smiling and the other half frowning. They stand for courage, observation, foresight, and enterprise; the aspirational characteristics of the bank.

Total construction costs for CCN were $156 million. In 1979, those renovations garnered the bank an Award of Merit from the Toronto Historical Board for the "imaginative and sympathetic treatment of the 1931 Bank of Commerce Building, located in the heart of the city's financial district." Among the particular aspects cited were the cleaning and restoration of the blue-and-gold coffered ceiling and the improved lighting of the massive chandeliers in the banking hall.[5]

The other major banks were also building new towers in downtown Toronto. Toronto-Dominion Centre, designed by Mies van der Rohe, comprised six towers that opened from 1967 to 1991. Bank of Montreal's First Canadian Place was finished in 1975. The two towers of the Royal Bank Plaza were completed in 1976 and 1979, with Scotia Plaza finalized in 1988. Following the 1976 election of René Lévesque and a separatist government in Quebec, senior executives from both the Montreal-based banks, Bank of Montreal and Royal, began moving their executive offices to Toronto. Since the days of the fur trade, Montreal had been the financial centre of Canada. Beginning in the 1960s, that locus shifted to a newly energized, more cosmopolitan Toronto. Page Wadsworth was an integral part of that transition.

THE BANK'S IMPRESSIVE POSITION was built on more than just edifices. In 1961, the Bank of Commerce had merged with Imperial Bank of Canada to create Canadian Imperial Bank of Commerce, and the new entity — with $4.2 billion in assets, 1,203 branches in Canada, and nineteen offices abroad — replaced Bank of Montreal as the second biggest of the big five banks.

Beginning in 1963, Wadsworth took on a higher public profile and was more direct and topical in his public speeches than McKinnon had been. A typical discourse delivered by McKinnon was a sixteen-page single-spaced text describing, among other arcane themes, the sweep of history in five state-controlled economies during the previous forty-five years.[6]

The more egalitarian Wadsworth appeared on a panel along with Dr. John J. Deutsch, chairman of the Economic Council of Canada, at the 1964 annual meeting of the Canadian Manufacturers Association held in Montreal. Deutsch described how investment in new plants and equipment during the previous fifteen years had positioned Canada well for the future. But, Deutsch noted, the natural resources for which Canada was best known, required more engineering, research, and investment.

The senior executive team of the newly-formed Canadian Imperial Bank of Canada meets in the Commerce head office. President Neil J. McKinnon (LEFT) shakes the hand of Chairman L.S. Mackersy (RIGHT) while Executive Vice-President J.S. Proctor looks on. Elevator operator is Lieselotte Rohe.

The head offices of The Canadian Bank of Commerce and Imperial Bank of Canada were only a few hundred metres from each other on Toronto's King Street. The slogan "Now Under One Roof" was used across the country to promote the merger. (Photo courtesy of York University Archives, Clara Thomas Archives & Special Collections, Toronto Telegram fonds, ASC09056.)

Wadsworth, as always, took a practical and optimistic approach. "Personal and business savings, together, would be more than adequate to finance the real investment required by the private sector," he said. In Wadsworth's view, Canada could muster sufficient funds of its own to be independent of foreign financing, a growing concern among many Canadian nationalists who worried about being too reliant on outside investment. Wrote Fraser Robertson in the *Globe and Mail*, "It is, said Mr. Wadsworth, speaking just as bluntly as did Dr. Deutsch, time to draw more

CANADA'S BILLION-DOLLAR SECRET

The merger of two great banks was cloaked in so much mystery that the news rocked the world of finance when it burst one evening like a bomb

by MICHAEL BARKWAY

Star Weekly, April 22, 1961

THE TELEGRAM

COMMERCE, IMPERIAL BANKS TO MERGE

The Telegram, February 4, 1961.

Matchbooks were handed out to celebrate the merger

attention to the fact that in real terms, the net import of capital corresponds to the shortfall between the volume of Canadian savings and the demands placed upon them. That is to say, it is time to decide if we want welfare or prosperity."[7]

Once Wadsworth was appointed president and chief executive officer in 1971, he assumed the role of the bank's chief spokesman. After Finance Minister John Turner delivered his first budget on May 9, 1972, Wadsworth issued an insightful statement that same night. "This budget has a refreshing tone and is positive in outlook," he said. "Its basic objectives are the creation of jobs, the improvement of Canada's competitive position in world trade, and the relief of some hard-pressed groups -- senior citizens, veterans, and students. The budget has approached the problem of stimulating employment opportunities by encouraging the private sector — specifically the manufacturing and processing industries."[8]

By the time of his speech to the annual meeting later that year, Wadsworth was able to present a detailed strategy for Canada's economic growth. "A cohesive set of policies looking toward the 1980s is becoming urgently needed because marked changes are taking place in the economic and social environment and they will affect the course of the Canadian economy in the years ahead," he told shareholders.[9] He specifically urged the implementation of environmental and capital investment projects to produce jobs.

Wadsworth turned his rhetoric into reality. In 1972, the bank opened an office in Tokyo and Wadsworth travelled to China, Australia, and New Zealand. Wadsworth was also watching Europe closely as nations there were creating a global trading bloc. In 1958, West Germany, France, Italy, Belgium, the Netherlands, and Luxemburg had launched the European Economic Community — colloquially known as the Common Market — as an offset to the huge domestic market enjoyed by the United States. In January 1973, Britain, Ireland, and Denmark joined the Common Market.

In November 1973, Wadsworth attended the official opening of a branch in Paris, the first full branch of a Canadian bank to open in that city in more than fifty years.[10] At a press conference held at Hôtel de Crillon on the Place de la Concorde, Wadsworth told journalists, "This initiative is brought about by the ever-increasing importance of the Common Market countries as a financial, commercial, and industrial entity and also because, in this context, Paris is more and more assuming a political and financial role and we Canadians should become involved."[11]

The bank already had branches in Brussels, Frankfurt, Milan, Zurich, and London, giving it the largest Canadian banking representation in Europe. Canadian trade with the Common Market, with a total population of about 250 million, had grown more rapidly during the previous year than with any other area in the world.

In addition to attending such events as the Paris opening, Wadsworth began representing the bank at meetings of the International Monetary Fund and the American Bankers Association.

Advertisements from 1973 highlight CIBC's growing international operations.

THE TOP JOB OF CHAIRMAN had arrived unexpectedly for Page Wadsworth, like a surprise frost on a September morn. Had Neil McKinnon stayed three more years until retirement at age sixty-five, Wadsworth would never have assumed the chairman's mantle because both men were the same age. Russ Harrison, who was ten years younger, would have likely been the heir apparent.

For their part, the directors were relieved to have the more conciliatory Wadsworth in the role after the autocratic McKinnon. Said Sydney Hermant, chairman and chief executive officer of Imperial Optical Co. Ltd. and a director since his days on the board of Imperial Bank, "Page Wadsworth is a gentleman. After the appointment, I think he got up every morning, looked in the mirror, and said, 'Holy smoke, is it really me?' I don't think he ever in his wildest imagination thought he would be chairman. He was a good caretaker. He was there. He was safe. Everything came together by accident for him."[12]

Wadsworth inherited an institution that required revitalization and renewal after McKinnon's departure. "[CIBC's] annual reports of the period reveal a

culture that seemed both conservative and secretive," wrote James L. Darroch in his 1994 book, *Canadian Banks and Global Competitiveness*. "Despite the changes taking place, it is difficult to detect any real sense of dynamism following the Imperial acquisition in the organization — instead the impression is one of consistent incremental growth with a new attention to international operations."[13] Wadsworth realized that his new role demanded nimble thinking. "The first thought that came into your mind before you reached the office, 'What is the first major problem that we're going to have to deal with that's going to cross my desk today?' Maybe it'll be a day of peace and rest. Maybe it won't. But I've got to be prepared to deal with that problem and deal with it as quickly as possible, deal with it if it involved the bank as a whole [or] the other senior executive officers," said Wadsworth in an interview conducted for the bank's archives in 1996. "As Chairman, you carried the full responsibility, regardless of what delegation you made, you carried the full responsibility to the board of directors. They in turn carried the full responsibility to the shareholders, the real owners of the bank."[14]

Wadsworth sought to make internal relations more collegial by inviting senior officers to gather for coffee every morning at 10:30 a.m. with no agenda, just to chat about what they were doing. In addition, Wadsworth's intention was to share more of the responsibilities formerly borne by McKinnon alone. "If there's one thing I would like to see accomplished during my time as chairman, it is to see more of the important day-to-day decision-making pushed down the line to other senior competent officers," he said shortly after taking over. "The idea is to leave the three top officers of the bank with more time to plan and think about policy in the broadest sense."[15] He saw Russ Harrison and Don Fullerton as members of a team with himself as number one — primus inter pares, first among equals. Wadsworth placed president and chief operating officer Harrison in charge of long-range planning, while chief general manager Fullerton focused on day-to-day matters. Harrison, who was educated at the University of Manitoba, joined the Commerce in 1945 after military service in Europe with the 1st Canadian Parachute Battalion. After working for the bank in Winnipeg and

FROM LEFT: Jeffrey P.R. Wadsworth, Russell Harrison, and Donald Fullerton, 1974.

Toronto, in 1956 he headed operations in Quebec, before returning to Toronto in 1969 as executive vice-president and chief general manager. Fullerton attended Trinity College School, a private school in Port Hope, Ontario, graduated from the University of Toronto with a bachelor of commerce degree and joined the bank in 1953. He worked in Toronto, Vancouver, and New York and took management studies at Harvard University. He was appointed regional general manager for Saskatchewan in 1966 and then regional general manager, international in 1967.

In a major departure for a business leader of that era, Wadsworth told shareholders at the annual meeting in December 1973 that he would set the bank apart from competitors by being more socially responsible. "We continue to be aware of this responsibility and we have undertaken new initiatives during

1973. The area and scope of these responsibilities change from time to time and the ongoing requirements and results must be continually assessed. This we are doing. It is equally important that all of our officers and employees are encouraged and given the opportunity to play their role as good citizens wherever they may be located. This we are also doing."[16]

The bank put its creed in its deed by supporting initiatives in education, health, sports, charitable foundations, symphonies, community groups, and United Way campaigns. One notable example in 1976 was $2.9 million over five years to Notre Dame College in Wilcox, Saskatchewan, run for years by the legendary Father Athol Murray. In that same year, the bank provided $150,000 for six public performances in Montreal of the Royal Winnipeg Ballet and the National Ballet as part of the 1976 Olympic Games official sponsoring program of the organizing committee.

In 1972, Wadsworth launched the National Competitive Festival of Music. In cooperation with the Canadian Bureau for the Advancement of Music and the Canadian National Exhibition (CNE), the bank annually awarded scholarships to national winners chosen among amateurs selected through local and provincial contests. The bank sponsored prizes of $1,000, $500, and $250 for first, second, and third place respectively in five fields — vocal, strings, piano, woodwinds, and brass. Each year's winners were feted at a Labour Day weekend concert in the Queen Elizabeth Theatre on the grounds of the CNE in Toronto. The bank paid all travel and accommodation expenses for the finalists. In 1987, the name was changed to CIBC National Music Festival. By 1989, the festival had grown to the point where more than 160,000 young musicians played in 230 competitions across the country to be one of sixty-nine finalists seeking to share in $27,000 in prizes.[17] Festival participants included many future musical celebrities such as Liona Boyd, Maureen Forrester, Louis Quilico, and Sylvia Tyson.[18]

Wadsworth took the opportunity in his first speech as chairman outside the bank to describe his team. "I am sixty-two. Mr. Harrison is fifty-two and Mr. Fullerton is forty-two. We have already been working closely together for the past two years, and we are now more than ever closely coordinating our efforts,"

President Donald Fullerton with the winners of the 1979 CIBC National Music Festival.
Below, left: Joanne Geering, Gary Poole, Kathy Paluga, Irena Nemeson, and Fullerton;
seated: Margaret Kasas.

he told the Toronto Society of Financial Analysts in January 1974. "However, we must have the time to respond to the pressures of the day and to prepare for the demands of tomorrow." To do so, Wadsworth appointed five new senior vice-presidents responsible for major divisions of the bank: James G. Bickford, international banking; Derek G. Keaveney, administration; Charles M. Laidley, loans and investments; Basil E. Langfeldt, domestic regions; and David A. Lewis, marketing and customer services.

Even while making such an announcement, Wadsworth was understated. "The way J.P.R. Wadsworth explains it, the organizational changes at the Canadian Imperial Bank of Commerce seem the most natural events in the world. It is just a case of some sensible moves to spread around a management load that had grown too great for any one man to handle," wrote Hugh Anderson in the Globe and Mail.[18] "The fact is, however, that the changes are part of a major

shift of emphasis at the top of the huge organization, the second largest bank in Canada and a big bank in the world league."

In a follow-up article, Anderson wrote that Wadsworth's new management style was not only welcome but also a major change in emphasis after only one month as chairman. "Perhaps the most important fact about the speech at a meeting of the Toronto Society of Financial Analysts is that it occurred at all. Mr. Wadsworth, recently named chairman of the Canadian Imperial Bank of Commerce, was the guest star in the bank's debut before the Toronto analysts," wrote Anderson. "Acceptance of the invitation reflects the interest of the bank's top management in building new relationships with the investment community."[20]

Wadsworth's lighthearted speaking style captured the changes afoot. "Under the pressures of fundamental changes in economic and social conditions, the financial world in general and the banking industry in particular has undergone considerable alteration and has become remarkably complex and diverse," Wadsworth said. "If I can draw on a vintage aphorism without it reflecting on my age, the Canadian banking industry is like the old grey mare they used to sing about: 'She ain't what she used to be.'"[21]

Calling the new era "the age of consumerism," Wadsworth said Canadians were more conscious than ever of their financial needs and how to fulfill them. As a result, competition had intensified. Still, CIBC had size on its side. With deposits exceeding $11 billion, the bank enjoyed the largest Canadian dollar base among all of the banks in the country. "We also have 1,575 branches, 250 more than our nearest competitor, and in the major growth areas of Canada our representative advantage is even greater," Wadsworth said. Wadsworth was standing tall on the shoulders of those who had gone before him.

2

Brave New World

Emboldened by his new role, Wadsworth adopted a high-profile stance on issues of the day. At the 1973 annual general meeting in his first speech as chairman, Wadsworth placed Ottawa on notice that he would not be pushed around. He declared his opposition to a proposal by Finance Minister John Turner to allow provincial governments to own as much as 25 percent of a new bank so long as the government's interest fell over time to 10 percent. Wadsworth also said that the large national banks were best equipped to gather deposits and provide capital for economic development.

Following the Second World War, major new resource-based development in Canada included oil, gas, pipeline building, and potash. In 1967, work began on exploiting Alberta's oil sands. He said the bank had aided all such important economic activity in British Columbia, Manitoba, Yukon, and Northwest Territories; oil and gas in Alberta; and potash in Saskatchewan.

Beyond those specific sectors, the bank enjoyed the largest Canadian dollar base among all of the banks in the country. It also had the largest market share of loans over $5 million, as well as the largest share of farming, mining, mortgages, and Canada Student Loans. The most positive impact on profits in the 1971 to 1973 period was brought about by the bank's decision to commit more of its resources to loans than had been traditionally the case. "We were anxious to increase our share of the consumer loan business," said Wadsworth. "After all, we had pioneered in this type of loan, but we had not succeeded in maintaining the position in the market that we generally maintain in other areas."[1]

Making similar shifts in strategy was more difficult in other aspects of the bank. After the 1961 merger between The Canadian Bank of Commerce and the Imperial Bank of Canada, the board was a cumbersome sixty-eight members, at least twenty more than most banks. By 1973, there were still fifty-five directors as a result of the bank's desire to maintain relations with the broadest possible number of Canadian corporations. Its first female director, Dr. Marguerite Hill, physician-in-chief at Women's College Hospital (WCH) in Toronto, was appointed in 1968. Dr. Hill practiced at WCH for twenty-seven years, sixteen as physician-in-chief.

Wadsworth added a second woman in 1974, Sister Catherine Wallace, who served from 1965 to 1974 as president of Mount Saint Vincent University in Halifax, at the time Canada's only degree-granting women's post-secondary institution, and later as chairperson of the Maritime Provinces Higher Education Commission.

Corporate credits were presented to the board for approval; for example, a typical loan in 1973 was for $70 million to finance a natural resource production and exploration company. On rare occasions, a loan request was rejected.

One such possibility, brought before the September 6, 1973, board meeting was an operating line of credit for an energy project. Read the note, "Although the proposal under consideration appeared to represent profitable business at a reasonable risk, management had not been able to ascertain sufficient background information to permit an unqualified recommendation and the views of the directors were sought. After discussion, it was decided not to proceed with the loan." It was a wise decision; that firm later went bankrupt.

Away from the boardroom, the bank's main concern was to improve customer service. A phrase featured in the 1961 annual report forever set the institutional tone: "to render a complete and efficient banking service to an ever-increasing clientele." To achieve such service, employees went to great lengths.

A map in CIBC's petroleum and natural gas department in Calgary kept track of Alberta's oil and gas discoveries, 1963.

RIGHT: In the 1950s, The Canadian Bank of Commerce targeted American companies that wanted to invest in Alberta's oil fields to help them set up business in Canada.

The original staff college building at 616 Avenue Road in Toronto, Ontario

Typical was Joan Cain, an accountant in the early 1970s at the CIBC branch in Haliburton, Ontario, who continued training throughout her career in order to be promoted to roles with ever-increasing responsibility. Cain's final position was deputy manager, private banking, with offices in the Commerce Court North banking hall in the 1990s, where she supervised fourteen account managers advising wealthy clients. Cain also oversaw four commercial lenders and dealt with her own clients. "The hard part is when you've got to say no. You've got to be creative," said Cain. "I liked to give [clients] at least some hope, some options, not just say, 'No, goodbye.'"[2] She would suggest ways to improve the client's business circumstances or recommend they approach the Federal Business Development Bank for a guaranteed loan.

Initially only male employees attended the college.

Cain was always prepared for any assignment. While in Haliburton, Cain regularly carried excess funds in a parcel wrapped in brown paper to the post office or brought money back, up to $25,000 at a time. The round trip took about ten minutes. In those days, there were no armoured truck deliveries to rural branches. The parcel was hidden inside another less conspicuous bag. "But I'm sure everybody in town knew," she said. A few steps behind her walked an employee with the branch's pistol in his pocket. "The fellow with the gun had no training whatsoever," said Cain. "I don't know if he even knew how to load it properly." There never was an incident. At some point during Cain's time in Haliburton, Brink's took over the weekly delivery of funds as well as pickups of surplus money. Revolvers and pistols were a common sight in the branches until the 1970s. The bank determined that the firearms didn't deter holdups, that branch staff didn't know how to use them, and that they had become a safety

The data processing centre in Toronto, Ontario, 1960s.

hazard because they weren't properly maintained. In 1973, about 5,000 firearms were destroyed under police supervision.

Support for the best possible client service required constant change and innovation. The Bank of Commerce was the first to offer consumer loans in Canada, the first to set up a department specializing in oil and natural gas, and the first to open a staff college for personnel training. A pioneer in the use of electronic data processing, CIBC operated data centres in Toronto, Montreal, Vancouver, Calgary, and Winnipeg by 1969.

For Canada's centennial, CIBC was the only bank to have a branch physically located on the site of Expo 67 to serve the fifty million visitors over the six months of the World's Fair.[3]

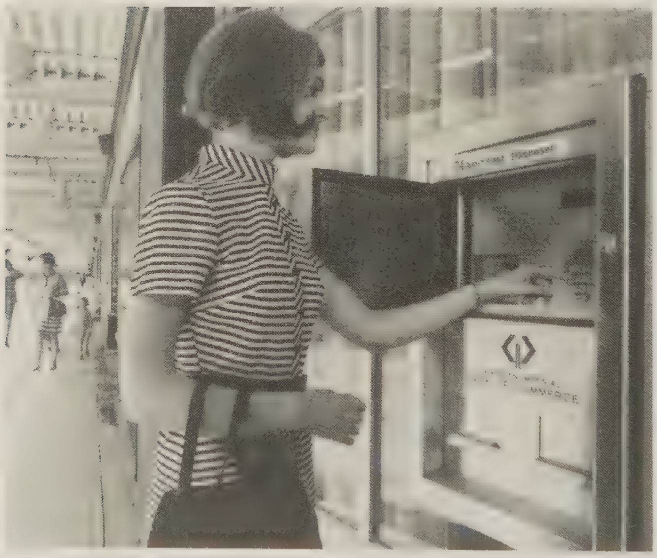
In December 1969, the bank introduced Canada's first 24-hour cash dispensers, located on the exteriors of ten branches in Toronto. Customers who enrolled were given a key, a plastic card, and a confidential code. The system checked to see if the client had enough cash or a sufficient line of credit to cover each transaction. If so, the customer received a plastic wallet containing $30 from a slot at the base of the unit.[4] When the system expanded in 1972 to

ABOVE: Thousands of people from all over the world visited CIBC at Expo 67. On the busiest days, hostesses stood at the front of the branch with envelopes containing the Canadian equivalent of a US$20 traveller's cheque.

LEFT: Expo 67 branch manager Paul Leger and some of the branch's hostesses (FROM LEFT): B. Lestage, L. Banville, C. Ladrière, and M. Lemire. The women's "distinctive ensembles" and the men's uniforms were designed by Montreal couturier Michel Robichaud.

serve Montreal and Vancouver, CIBC was still the only Canadian bank offering a cash-dispenser service.[5]

In 1967, the bank was the first to introduce what was called the On-Line Savings system. Tellers, using a computer into which passbooks were inserted, punched an entry on the keyboard, and the computer handled the rest. The new method meant that tellers no longer had to search for a file card and then spend a minute or two bringing a passbook up to date manually. At the end of the day, the teller did not have to calculate a new balance or perform any manual copying. The teller simply pressed a few buttons and instantly arrived at the closing totals.[6] In so doing, CIBC became the first in Canada to commit itself to an electronic banking network.



ABOVE: One of CIBC's first 24-hour cash dispenser at the Cloverdale Shopping Centre in Toronto

RIGHT: The first generation of CIBC's 24-hour cash dispensers, 1969

CIBC's branch at Yonge and Bloor Streets in Toronto was the first in Canada to use a computer to update client passbooks

Red convertibles were not the only thing the bank suggested people could buy with a loan; other ads featured houseboats, horses, and a new camera

In 1978, the branch in Yellowknife became the 1000th to go "on-line" by installing the bank's network with eight teller terminals.[7]

For decades, the bank's pioneering personal loan business, which was launched in 1936, eclipsed all the other banks in Canada, but in the 1960s, CIBC's competitors began offering similar products. In particular, the Bank of Nova Scotia actively hired employees from consumer loan and finance companies in a successful bid to dominate the field. Society was changing: consumers were not only becoming more affluent, but they were also interested in acquiring something they wanted, not just needed. In response, CIBC made the decision to move away from advertising consumer loan availability and instead ran print and television ads trumpeting "red convertible loans" that showed a young couple laughing and enjoying their new car. With the right bank, a better lifestyle was within easy reach.

In 1972, the bank further set itself apart from competitors by sponsoring a new television program called *Backgrounder to the News*, seen five times per week at 11:15 p.m., immediately following CTV's national news. Hosted by broadcaster Tom Gould, the show was aimed at a different audience by providing additional information and commentary about a particular story of the day.

With the relentless push for more market share, however, came higher delinquency rates. According to one of the regular circulars sent by Chief General Manager Harrison to all branches, the cause was poor due diligence during the approval process. "While some losses are to be expected in the normal course of events when repayment of a loan is largely dependent upon future earnings, it is the case that an undue proportion of the losses arise out of loans that were not properly based at the outset," said the circular dated June 11, 1973. "The principal adverse factors have been inadequate investigative procedures and over-extension of credit."

Caution ensued and by May 1975, the bank's share of the consumer loan market was again declining. In response, the bank changed some criteria on terms and expanded the items for which loans could be arranged. The down payment on mobile homes was reduced to 15 percent, the loan period for auto

loans was extended from thirty-six to forty-eight months, and a new loan was made available for buying or building a vacation home. Getting the right balance between risk and reward has always been a difficult task.

Wadsworth also set out to alter what he saw as the bank's bureaucratic tendencies. "There was a feeling in the bank of unrest. Junior managers in small branches weren't particularly worried. But those in senior positions never knew what was going to happen. For that reason, they had ideas that could improve the bank but were reluctant to bring them forth," said Wadsworth. "In those early days, I felt the biggest job I had to do was bring back a sort of feeling of confidence in one's own ability." To promote that new self-assurance, he met with employees and told them that they had what he called "the God-given right to make a mistake."[8]

Advertisement from 1977 for the Commerce Bankplan Loan service.

But being allowed to make a mistake, Wadsworth hastened to say, did not mean employees could act foolishly. His intent was to instill what he called "a definite, responsive interest in the institution." He wanted ideas to bubble up from within: "A lot of what happened was going to depend on what they did, not on what they were told to do.

This was one of the hardest things, to get a change of thinking, even in some of the senior people that said, 'Yes, I've thought of that for years, but gosh, it just would have meant changing.' There were always a number in the bank who had independent thoughts, and on occasion would bring them forward, but there was a great deal of latent talent that had not been used."

Wadsworth's consensual approach to policy ideas and management style was underscored in the 1974 annual report with a seven-page statement to shareholders that came complete with an inclusive heading — *Report from Executive Management* — and was signed by all three senior officers, Wadsworth, Harrison, and Fullerton. Activity during the year was up substantially over the previous twelve months: consumer loans increased 25 percent, general loans were up 22 percent, and foreign currency loans rose by 40 percent.

As the message continued, the tenor became thoughtful:

> *Our growth will be balanced because that is the kind of bank we are. Our assets will increase but no faster than our capability permits. Our aim is to attain safe and profitable growth in a steady, logical manner. We fully recognize that as well as producing a profit, the bank, as a corporate citizen, has other responsibilities to the community. We are conscious, also, of the social, political, and economic consequences of our actions. We believe the bank can serve society best by being an efficient bank and that its economic soundness and contribution is the best test of competence and its relevance. In the future, we shall continue, based on enlightened self-interest, to be responsive to changing social demands.*

These internal changes coincided with a period of inflationary pressure and an increasingly fragile domestic economy fraught with the early stages of the global energy crisis. Since 1972, governments in Ottawa and Alberta had been battling over which jurisdiction would set oil prices in Canada. The urgency of that debate was heightened in October 1973 when a coalition of Arab countries invaded Israel; Israel fought back until a ceasefire was declared in what came to be called the Yom Kippur War.

Arab members of the Organization of the Petroleum Exporting Countries (OPEC) then placed an embargo on oil exports to countries they saw as friendly to Israel. "The days of abundant cheap energy for Canadians must come to an end," Prime Minister Pierre Trudeau declared in December 1973, just as Wadsworth was taking charge.[9] Over the next few months, world oil prices quadrupled to $12 a barrel. The federal government placed a tax on Canadian oil exported to the United States in order to offset the cost of foreign oil imports, thereby shielding Canada from some of the oil-price increase, but the Arab embargo had an immediate and punitive impact on the global economy. The resulting recession saw inflation and unemployment rising at the same time.

In a speech in March 1974 to the Fourth Annual Economic Outlook Conference in Calgary, Wadsworth told 300 executives in the petroleum industry that Canada's capacity to respond to rising world prices by increasing the country's energy supply was in doubt. Moreover, savings rates in Canada were already higher than most other nations and unlikely to rise further. Within three years, he said, the gap between savings in hand and investment dollars required could be more than $3 billion: "What this implies is that Canada will be unable to finance all the large energy projects internally within a relatively short time span unless we are ready to postpone other necessary additions to our stock of social and private capital." He specifically mentioned several projects under consideration and their likely costs: the Arctic Gas Pipeline ($6 billion), the Polar Gas Project ($6 billion), tar sands developments (more than $1 billion for each operation), and the Mackenzie Valley Oil Pipeline ($5 billion).

Wadsworth was not one to point out a problem without offering a solution. "The logical way out seems to be a middle path, according to which we would start the development snowball rolling, but not rapidly enough to cause an avalanche. By this I mean that business, government, and labour should sit down and decide on development priorities and map out a practical and feasible timetable for the various major projects," he said. "In this way, we could limit the excess of our annual capital requirements above those demanded by normal addition to the existing stock of private and social capital to, say, $1 billion a

year." No new oversight agency was required; he said the Economic Council of Canada could be the catalyst.[10]

The federal government in that 1972–74 period was working under tense circumstances in Parliament. Pierre Trudeau's Liberals were operating from a minority position supported by the New Democratic Party, led by David Lewis. After the government was defeated on May 8, 1974, an election was called for July 8. The bank issued a circular that urged employees to vote and set out rules applying to any employee who ran for political office — federal, provincial, or municipal. "The bank respects any such participation, without regard for political affiliation, and will cooperate by allowing time off, with pay and with all company benefits, so a candidate may conduct a personal campaign for the stipulated campaign period," read the circular. If an employee won elected office, salary was discontinued, a mandatory leave of absence was instigated, and the bank would maintain its share of pension, medical, and insurance benefits. After one term, if the employee chose to return to the bank, their salary and position would be restored at the previous level. If the employee did not return after one term, it would be considered that the employee had taken on a new career in politics and employment at CIBC would come to an end.[11]

Inflation and its deleterious economic impact was the main issue of the 1974 federal election. After the Liberals won a majority government, the increase in prices and wages continued unabated. Markets were performing poorly; investors were worried and wary. The Dow Jones Industrial Average had peaked in 1965 at just over 7,000 and had been declining ever since, falling below 3,000 in November 1974. Dr. B.V. Gestrin, the bank's vice-president and senior economist, urged Ottawa to find a middle road between promoting continuing growth and seeking price stabilization. In a speech given in September 1974 to the Toronto chapter of the Financial Executives Institute, Gestrin said that the expansionary approach of government would lead to inflation. He predicted higher wage settlements as workers tried to keep pace with the rising cost of living.

Wadsworth had his own thoughts on inflation and its causes. "More and

more, we are being told by politicians and by government agencies that there are 'rip-offs' at many levels in the business sector which tend to push up prices," Wadsworth told the bank's annual general meeting in December 1974. "One might even reverse the question and ask whether there is any possibility of an existence of a government rip-off." For Wadsworth, inflation was defined as "the result of living beyond our means over a long period of time." Inflation, he said, could be combatted by responsible government policies directed to all major elements of the economy "including governments themselves."

By September 1975, Canada had suffered double-digit monthly increases in the rate of inflation for almost two years. In October, Prime Minister Trudeau announced a tough and immediate regime of price and income controls, the very program he had so roundly denounced during the 1974 election. In the run-up to Trudeau's declaration, interest rates had also been soaring. National Housing Act mortgage rates rose from 9.75 percent in July 1973 to 12 percent in October 1975. The bank was processing more mortgages than any other financial institution in Canada,[12] so starting in August 1975, rather than take on new business that might go sour, mortgage applications were limited to existing customers. Even so, in 1975 the bank and its associate, Kinross Mortgage Corp., approved $1 billion in residential mortgages, an increase of 56 percent over the previous year, the most of any lender nationwide. Unemployment in Canada was also becoming worrisome, rising to 7.1 percent in 1975 from 5.4 percent the previous year. In such circumstances, Wadsworth encouraged all citizens to become more outspoken about the economic life of their country. "Are we willing to stand up and be counted? Are we prepared to let our elected representatives know we will support strong, well-directed policies even if they involve some hardship for us? We must not forget that they are just like us, looking for advice, encouragement, and support and a clear indication that they have our confidence."[13] If Canada chose the right policies, he said, the economy would recover.

Wadsworth had joined a global debate. The governments of Finland, Iceland, the Netherlands, and Norway were all attempting to dampen inflation through

various governmental means. When Trudeau followed suit, he did an about-face. During the 1974 election Opposition Leader Robert Stanfield had called for a ninety-day freeze on prices and incomes followed by a period of controls. Trudeau had derided him, telling campaign audiences, "Zap, you're frozen!" Under Trudeau's new policy there was no ninety-day freeze, but he now embraced a mandatory program that limited wage and salary increases to 8 percent in the first year, 6 percent in the second, and 4 percent in the third. Prices could only rise at the same rate as actual costs. Initially, only a few thousand companies (including the banks) were implicated, but the total number of corporations that came under the newly created Anti-Inflation Board was eventually more than 20,000.

In Wadsworth's speech at the annual meeting in December 1975, he encouraged shareholders to take the high road and support Ottawa's controls program, declaring that such action was necessary given the gravity of the situation. "We have opportunities here that are the envy of the rest of the world; it is, therefore, our job to make the guidelines operate effectively," he said. His most scathing comments were aimed at excessive government spending. "Government leaders have told us that their new and expensive programs — programs which we now know we couldn't afford — were undertaken because the public wanted them," he said. "This is no defence. In fact, it is questionable whether the public really did want many of them."[14]

HARDLY HAD WADSWORTH UTTERED those words when the prime minister upped the ante. Trudeau made a series of comments — that came to be known collectively as "musings" — about the need for even more government control over the economy. The provocative stance was first revealed during a year-end interview with Trudeau conducted by CTV's Bruce Phillips and Carole Taylor. Said Trudeau, "Some economists say all you've got to do is get back to the free-market system and make this market system work. It won't, you know. We can't destroy the big unions and we can't destroy the multinationals . . . But who can control them?

The government. That means the government is going to take a larger role in running institutions, as we're doing now with our anti-inflation controls — and as we'll presumably be doing even after the controls are ended."[15]

In two radio interviews and a nationally televised address to the Canadian Club of Ottawa on January 19, 1976, Trudeau reiterated his view that controls were just the first of many such interventionist programs. By coincidence, Wadsworth was speaking on that same January evening to the Sales and Marketing Executives of Toronto. Wadsworth said that Ottawa's deficit spending and expansion of the money supply were the real causes of inflation. He worried about the impact on the economy of both controls and Trudeau's musings. "We have, as we all know, a highly intelligent, articulate prime minister who revels in the discussion and expression of broad, philosophical ideas. Often in the past, his aim has been to stimulate reaction and further debate. Such a procedure has a role in the academic field and possibly some others. However, the position of prime minister of a country as diverse as Canada carries with it the responsibility to deal with facts and take positive action rather than to create uncertainties that are bound to affect the day-to-day decisions — decisions you and I and investors both inside and outside of Canada are going to make."

Wadsworth concluded his talk by calling for Canadians to fight back, saying that Trudeau had been "trying us out" with his remarks: "If we have been aroused, and I trust that we have, particularly every one of you here this evening, let us not for a moment relax our vigilance. This common cause could be the greatest unifying force that Canadians have experienced in the last decade."[16]

The response to Wadsworth's speech, both by the audience and in the media, was immediate and highly unusual. A report in the next day's *Toronto Star* featured the stark headline:

Banker assails
Ottawa spending
business cheers

"As Prime Minister Pierre Trudeau concluded his nationally televised address on the economy last night, 400 businessmen in Toronto cheered a leading banker who said that the federal government was largely to blame for inflation," wrote Irvin Lutsky of the *Star*. "The record audience cheered and thumped tables with every criticism of the Trudeau government. There was a standing ovation at the end of the speech."[17]

While there were a few public protests, controls continued unabated until they were finally phased out in 1978. According to a paper by W. Craig Riddell of the University of British Columbia, the program was successful: "Econometric studies generally conclude that wage and price controls reduced new wage settlements by 3-4 percent in each of the three years of the program, and price inflation by 1-3 percent a year, with the reduction in price inflation concentrated in the second half of the program and continuing well beyond the end."[18]

Wadsworth's breadth of interest and field of vision had spread from the inner workings of the bank to include the world as a whole.

3

Foreign Fields

While Wadsworth was lighting fires on the domestic front, he was also focused on CIBC's growth abroad. After all, the bank had long been active in other countries, opening a New York agency in 1872 and a Chicago agency in 1875, thereby making available foreign currency, letters of credit, and loans so customers could better conduct commerce outside Canada. Wadsworth began building on this global reach shortly after his appointment as deputy chairman, president, and CEO in 1971. That year he travelled to Australia, a country that had not been visited by a senior member of the bank since James Stewart was president in the 1950s.

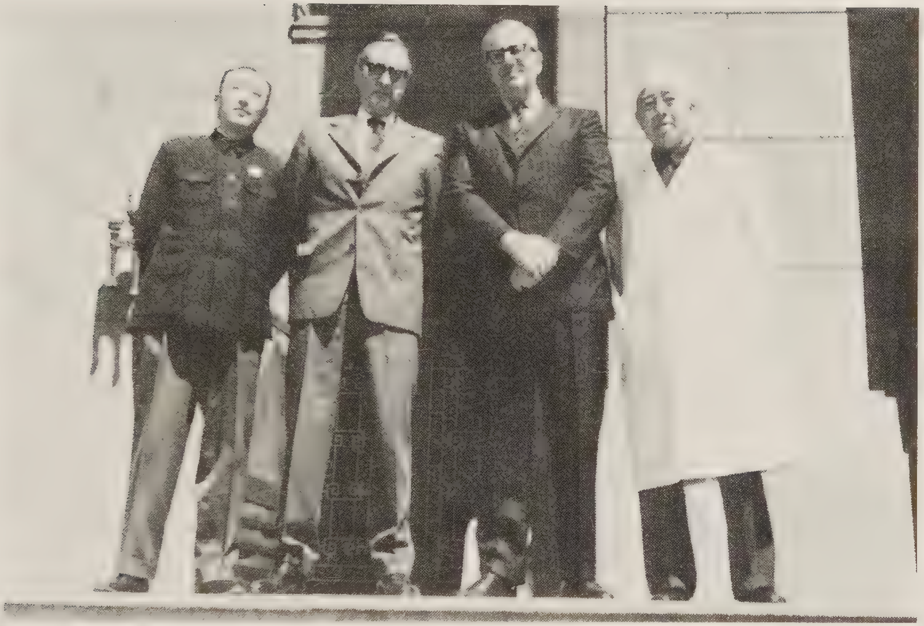
China was even less well served. With 800 million people, China made up two-thirds of the population of Pacific Rim nations but only 11 percent of Canada's exports to that part of the world. Prime Minister Trudeau took Canada on a path to recognize China in October 1970; in 1972, Richard Nixon became the first American president to visit China.

The bank's ties to Asia began in 1889 through a correspondent relationship with the Chartered Bank of India, Australia, and China. Wadsworth sought to expand that business. Just two months after the Nixon visit, Wadsworth and Vice-president James Bickford went on a two-week visit to China at the invitation of the Bank of China. They visited Shanghai, Kwangchow (now Guangzhou), and Peking (Beijing). They toured the Great Wall, the Summer Palace, the Temple of Heaven, and the Forbidden City. A most unusual stop was at a hospital operating room where Wadsworth was gowned and allowed to take photos of several surgeries in which acupuncture was used in place of anesthesia.

A highlight of the visit was a dinner given in their honour by the Bank of China. In attendance were representatives of the Ministry of Foreign Affairs, the China Council for the Promotion of International Trade, and officials from the Canadian embassy. The meal began with steaming cups of jasmine tea and then proceeded through more than fifteen courses that included the traditional Peking duck as well as plenty of maotai, the fiery drink used for toasts.

While wheat would continue to dominate Canada's exports to China for some time, Wadsworth also saw China as an attractive market for Canadian transportation and mining equipment, petrochemicals, and electronic products. "It is a market of tremendous potential and will require careful and patient cultivation over a period of time," he told the Prince George Chamber of Commerce in April 1974.[1]

Prodding businesses to act more thoughtfully in pursuit of exports was a topic that Wadsworth returned to throughout his time in office. In a speech to the Vancouver Board of Trade in October 1976, he urged the development of specialized firms to better penetrate world markets. "Substantial improvements in exports are more likely to come from the success of large specialized organi-



Page Wadsworth and James Bickford visited China in 1972. FROM LEFT: Mr. Fang-Ying, officer of the Bank of China; President Wadsworth; Vice-president Bickford; and the chief surgeon of the Workers and Peasants Hospital.

zations than small ones," he said. Instead, Canada had "blundered along making mistakes over and over, subsidizing, protecting, rescuing and preserving, regardless of cost, industries and lines of production in which we are not and cannot be truly competitive and truly efficient."[2]

The entire world was on his radar, but China was Wadsworth's most daring foray. "[I]t was Page Wadsworth who in 1972 went to the People's Republic of China and came back full of a banker's praise. He found the country solvent and the Chinese government inclined, as he is, to view defaulting on a loan as a loss of honour," wrote June Callwood in the *Globe and Mail*. "His bank and the Bank of China now do business together in a mood of high mutual regard."[3] In April 1979, the bank extended a five-year US$100 million credit facility to the

Page Wadsworth opened the Frankfurt office in West Germany in early 1973. FROM LEFT: H J Janthur, Nathan Phillips and his wife, the Honourable Tom Wells, the Honourable Jim Snow, Page Wadsworth, Donald Fullerton, and the Honourable Leo Bernier.

Bank of China, the first such agreement to be negotiated directly by a Canadian financial institution with the People's Republic of China.[4]

Wadsworth's travels in 1973 took him to the United Kingdom, Europe, and the Middle East with stops in Iraq, Bahrain, Saudi Arabia, and Iran. "After I had been in Iran and saw the business that was going on, I arranged that we would open an office in Iran, but it didn't last very long in light of what happened eventually," said Wadsworth.[5] Demonstrations against the Shah of Iran began in 1977 and led to strikes that paralyzed the country the following year. Armed fighting brought Ayatollah Khomeini to power, and the Shah was exiled in 1979.

CIBC was a founding member of the International Energy Bank in 1974

In order to highlight the bank's burgeoning international growth, the 1975 annual report was the first to disclose international earnings, separated from domestic business. Explanatory charts in the 1976 annual report showed domestic earnings of $113 million, up from $93 million the previous year. International earnings were $21 million, compared with $8 million in the previous year and $2 million in 1971. In 1974, CIBC joined with a group of major international banks to form the London-based International Energy Bank to finance the energy sector in locations such as the North Sea.

In 1975, a representative office was authorized in Mexico. That year, CIBC was part of a consortium of banks that loaned Mexico US$300 million. A representative office was also opened in Manama, Bahrain, the bank's first physical presence in the Middle East. It also announced plans to expand representation in 1976 in Latin America and the Far East, including the formation of Kuwait Pacific Finance Company Ltd., incorporated in Hong Kong, to carry out merchant banking activities involving the reinvestment of Middle East oil funds.

Another important connection was established in 1975 with London merchant banker N.M. Rothschild & Sons Ltd. As one of the leading bullion dealers, Rothschild chaired the daily meeting known as the "London gold fixing" that set the price of gold. The agreement with the merchant banker allowed CIBC to offer gold and gold certificates to dealers, suppliers, and the general public in one- and ten-ounce bars as well as in kilobars (32.15 ounces each), 100-ounce bars, and 400-ounce bars. Under the new program, certificate holders could take delivery of physical gold, if they so wished, in Toronto, London, Zurich, or New York.[6]

AS PART OF THE BANK'S STRATEGY to improve its competitive position abroad, Wadsworth formed an international advisory council in 1975. A few business leaders from other countries already sat on CIBC's board of directors; some of them were also on the boards of banks in their home countries. The council provided a wider forum for frank and confidential discussions about the business, economic, and political conditions in the major trading and investment areas of the world. Among Wadsworth's first appointees were Hans Werthen, chairman, AB Electrolux, of Sweden and Dr. Herbert Gruenewald, chairman of the managing board, Bayer AG, Federal Republic of Germany. In some cases, retiring CIBC directors — such as the Right Honourable Lord McFadzean, honorary president of British Insulated Callender's Cables Ltd. in London — were asked to serve on the council. In each case, Wadsworth met personally with the prospective member to extend the invitation.

Wadsworth also named two Canadian members. He approached Thomas Bata, founder and president of Bata Ltd., who told him he'd been asked by each of the big five banks to join their boards and declined them all. Wadsworth explained that he saw the international advisory council as a different type of group that would meet in everyone's mutual interest. On that basis, Bata agreed. The other Canadian member was Jack Gallagher, chairman and CEO of Dome Petroleum Ltd.

The committee, limited to a maximum of twenty-five members, met twice a year with one of those meetings always held in Canada. The first meeting took place in Toronto in June 1976, with the next session in London, England, in October. By 1977, the council comprised fourteen representatives from eleven countries. One of the members captured its function succinctly, saying, "The role of council should be to provide independent feedback on economic, political, and social developments in various parts of the world and to advise management on developments and business opportunities abroad."[7] The council was disbanded in 1984.

There were also instances when Wadsworth's personal connections and community contributions helped with international business. Wadsworth was on the board of governors of the Lester B. Pearson College of the Pacific on Vancouver Island. Pearson College was part of a global group of schools known as United World Colleges (UWC). Among the UWC patrons were Prince Philip and Lord Louis Mountbatten. The bank had been trying unsuccessfully for several years to obtain a licence to operate in Singapore. Wadsworth happened to mention to Mountbatten in 1976 that he'd made yet another call on Singaporean officials without results. Said Mountbatten, "You know, that's rather silly, isn't it? I think I still carry a bit of weight."[8] Shortly thereafter, the licence was issued.

DURING 1975, the bank opened fifty-five new branches for a total of 1,661 across Canada. Some of the more remote branches serviced large geographic areas. In June 1970, CIBC launched the first flying bank in Canada, operating out of

ABOVE: A courtesy pass promoted the flying bank.

LEFT: Clients line up for service from the world's only flying bank branch, 1970.

Yellowknife, Northwest Territories. "We want to provide people with banking service they can get no other way, and to identify the Commerce with Canada's growing north," said Alex Sinclair, manager of the Yellowknife branch. Sinclair met clients in the front four seats of a Northwest Territorial Airways twin-engine DC-3 during his monthly twelve-hour, 2,500-kilometre trip with five stops.[9] "A look out the front door of the bank branch, however, is a reminder this is banking with a difference," said a *Canadian Press* article that reached 2.5 million readers. "In summer, the panorama would be one of moss-flocked rock with perhaps the sea in the background. In winter, it would be a landscape almost as inhospitable as the moon."[10]

In 1974, Dennis McConnell, branch manager in St. Albert, Alberta, moved to Inuvik, Northwest Territories, to take up operation of CIBC's second flying bank service, begun in 1971. Accompanied by one of his fifteen employees, McConnell spent one day a month flying to Tuktoyaktuk, Fort McPherson, and Aklavik. On occasion, the flying bank went further afield to Sachs Harbour on Banks Island. McConnell conducted banking business right in the community at the local

library, co-op, school staff room, or Hudson's Bay store. He travelled with a fifty-pound metal cash box containing $300 in coins and $3,000 in bills for loans and to cash cheques. Sometimes they'd have to lug the box on foot into town from the airstrip if no one came to meet them.[11]

The planes hired from Aklavik Air were equipped with wheels, skis, or floats, depending on the time of year. It was no easy job for the pilot to land on the ice airstrip, and the plane otherwise might get stuck in snow or mud. One time, when McConnell was helping move a mired Cessna 337, he got bowled over by the prop wash from the engine. Loans and collections could be unusual. One farm improvement loan covered a reindeer herd raised for meat. In Tuktoyaktuk, an Inuit client, Eddie Gruben, had such local clout that he helped McConnell with an overdue loan. Gruben knew a particular debtor had just been paid the day before, so he took McConnell to the debtor's house, roused him from his bed, and said, "Pay Dennis." He did.

The *Commercial Letter* was a way to inform and attract new clients, 1965.

As manager of the Inuvik branch, McConnell was a community leader in the town of 4,000. He described his role as "one of the head honchoes. [I was] invited to Chamber of Commerce dinners. We met ambassadors from all around the world," he said. McConnell retired in 1997 after a thirty-eight-year career, also serving in Alberta and British Columbia as branch manager, inspector, and area manager.

Another new branch was opened in 1973, in Fort George, Quebec, to serve a remote community. Located on the eastern shore of James Bay, the population of Fort George was 1,558,

mostly Indigenous Peoples whose primary source of income was from trapping and the operation and maintenance of hunting and fishing camps.[12]

Urban centres also received attention. In 1975, the bank announced plans for a sixteen-storey tower in Halifax to serve as the new headquarters for the Atlantic region and house the Halifax main branch.

In terms of corporate governance, Wadsworth created two new board committees: an audit committee and a corporate social responsibility committee. The five-member audit committee, which included one bank officer, could inspect all books, discuss accounts and records with bank officers, meet with the outside auditors, and review all financial statements. The corporate social responsibility committee — chaired by Senator Ernest Manning, who had served as premier of Alberta from 1943 to 1968 — oversaw the bank's donations and devised a policy statement approved by the board that read, "The bank will react positively and responsibly to legitimate human needs and contribute its fair share, financially and otherwise, to the improvement of the total environment of the communities it serves, with particular attention to social, economic, and cultural needs."[13]

In his speech at the December 1975 annual meeting, Wadsworth was able to announce that the bank's assets had reached $20 billion with personal and consumer loans up by 22 percent. He expressed concern about the increasing presence of foreign banks in Canada. The only foreign bank ever to apply officially for a Canadian charter was Barclays Bank. The British bank began Canadian operations in 1929 and continued until 1956 when it was acquired by Imperial Bank. In 1953, a Dutch bank set up a Canadian subsidiary known as Mercantile Bank and operated without drawing attention until First National Bank of New York took it over in 1963. Its U.S. ownership caused a widespread nationalistic reaction that led to changes to the federal law that regulates banking in Canada; the Bank Act was revised to limit ownership in a Canadian bank by one group to 25 percent and to 10 percent by a single interest.

But many foreign banks were already operating in Canada because there was no law stopping direct dealings. An individual representing a U.S., British, or

European bank could book a hotel room in a Canadian city and seek local commercial clients looking to borrow money. These "suitcase bankers," as they were called, could do business at less cost than their Canadian competitors because the foreign banks did not have to fulfill reserve requirements, they did not come under regulatory supervision for either liquidity or capital structure, nor did they suffer the same investment restrictions as Canadian banks.

In a September 1974 speech in Montreal to the Canadian Conference on Banking, David Rockefeller, chairman of the New York-based Chase Manhattan Corp., said that Canada should welcome the presence of foreign banks because they could finance the development of the country's resources and help economic stability. Wadsworth, who spoke at the same conference, proposed bringing foreign banks under federal control, requiring them to register with the Bank of Canada and procure an annual licence. In return, the countries in which those banks were based would need to offer reciprocity so Canadian banks could fully function there. If such reciprocity were not available, those foreign banks would be restricted in Canada to representative offices. But the U.S. provided a particular problem. Unlike in Canada where bank regulation is a national matter, in the U.S., individual states had oversight of banks and the laws varied widely. Some states did not allow any foreign banks. A few states, including New York and California, permitted foreign banks to conduct business with almost the same freedom as a domestic bank. In California, for example, Canadian banks could establish subsidiaries. CIBC had such an arrangement with the California Canadian Bank, as a result of the 1900 acquisition of the Bank of British Columbia. In 1976, California Canadian Bank had twenty-four branches serving the state.

Canadian banks in New York — including CIBC — operated either through agencies or representative offices with direct access to the New York securities and money markets. While the bank's New York agency could not offer personal banking functions, such as chequing accounts or safety deposit boxes, it could carry out arbitrage operations, finance international trade, and move funds between New York and Europe. It was also able to drum up business in

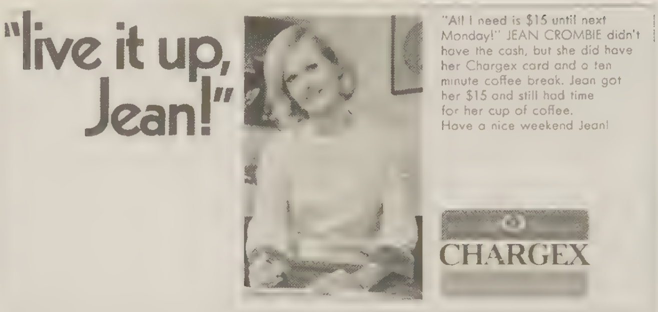
a territory that included Connecticut to the north, Florida to the south, and Tennessee to the west.

Wadsworth's concerns were eventually addressed. Under the 1980 revisions to the Bank Act, wholly owned foreign banks were permitted in Canada. The number of offices was limited to two, unless the minister of finance approved additional outlets. Moreover, the market share of domestic assets held by all foreign banks combined was initially capped at a total of 8 percent. During the 1980s, some sixty foreign banks officially operated in Canada.

In the position Wadsworth took on the matter, he had simply been following the bank's long-standing policy of thoughtful inclusion that was ably expressed in a letter by Archibald Greer, the first cashier of the Bank of Commerce: "We do not oppose anyone. All we seek is the good of the country. We believe that all the floating capital which some banks get hold of is loaned out of the country. Our policy is to benefit our respective localities by employing our own and the floating capital coming under our control, in the support of the trade and the industry of the place."[14]

WHILE REACHING OUT for foreign business, innovative services were being instituted at home. The first credit card, Diners Club, was created in 1950 so its members didn't need to pay cash for restaurant meals. The bank's version of the credit card, Chargex, was launched in Canada in 1968 by a consortium that also included Royal, TD, and Banque Canadienne Nationale. Establishing and promoting Chargex meant operating deficits for the first few years, but profitability arrived in 1972. By the following year, when the Bank of Nova Scotia joined, there were 3.8 million cardholders, more than 100,000 merchant outlets, and total sales of $830 million. The slogan "Will that be cash or Chargex?" became part of everyday vernacular. Bank of Montreal and the Provincial Bank of Canada offered a similar service through the Master Charge card system.

In 1971, CIBC was the first Chargex bank to raise a client's credit limit from $1,000 to $2,000 and in 1974 was still alone with that operating limit. The name



CIBC's Chargex Visa card was introduced in Toronto and Montreal on August 19, 1968. These brochures are from the late 1960s.

RIGHT: Clients could use their Chargex Visa card to make purchases at the Hudson's Bay department store, 1978.

Chargex was changed to Visa in 1977. In 1978, the Hudson's Bay Co. began accepting Visa and was followed by Eaton's and other department stores. By the twenty-fifth anniversary of Chargex/Visa in 1993, there were 15 million Canadian cardholders making $35 billion in annual purchases.[15]

Another element of Wadsworth's legacy was the Commerce Key Account. Planning was well underway in fall 1973 when the team involved learned that another bank was working on a similar program. The announcement date was moved up a few weeks to October in order to be the first national bank to announce a package of consumer services. For a monthly fee of $2.50, a customer could write any number of personal cheques as well as cash personal cheques for up to $100 at any CIBC branch in Canada. Key Account customers were also eligible for a reduced rate on most types of consumer loans, could pay utility bills, make a deposit at any branch of the bank for transfer to the customer's account, and had access to the cash dispensers.

Early brochure for the Commerce Key Account, 1975.

The bank believed that the Key Account would increase its market share. "A long term effect of this trend will be the maintenance of high average balances by the chequing customer," said a circular. "Another important aspect which should not be overlooked is that with Commerce Key Account, a customer is more likely to consolidate all banking business with this bank rather than to fragment it among a number of financial institutions. Clearly the bank that has the broadest card base will have the most to gain in the future."[16] By October 31, 1974, there were 150,000 Commerce Key Account holders, and by 1975 CIBC had the largest share of the consumer packaged service market.

New programs and retail activities abounded. Amendments in 1975 to the Income Tax Act permitted Canadians to save for a home on a more advantageous basis. This change led to the bank's home ownership savings plan. The account, together with the bank's retirement savings plan, was marketed as "SMART," an abbreviation of "Save Money and Reduce Taxes." SMART offered two

Brochures for the SMART retirement savings plan, 1976

investment options. The first was a special savings account with the interest rate set twice a year to reflect current market conditions. The second offered a professionally managed income fund consisting largely of investments in first mortgages. Employees provided ideas for SMART. Said Luke Real of the marketing division, "Customer demands for a registered savings plan that would offer a good return and a tax shelter were recognized by branch personnel, many of whom gathered and submitted, through their managers and regional officers, much of the information required to consider the concept."[17]

In 1975, the bank reached out to customers over sixty. CIBC saw seniors as a growing market that was predicted to rise to one-third of all Canadians by

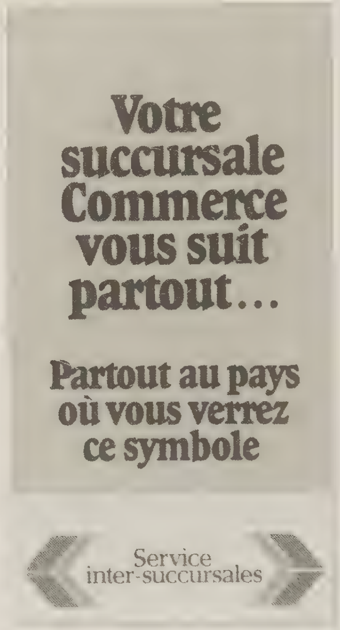
2000. At the time, they represented only 12 percent of the population but a much larger proportion of the bank's personal deposit business. As with Key Account, the bank found itself in a race for first. The schedule was accelerated, but this time a competitor beat the bank to market. CIBC's Senior Key Account, launched January 1, 1976, meant that customers over sixty paid no commission on travellers' cheques, no fees for bill payments, and reduced charges for safety deposit boxes.

The Commerce Senior Key Account was launched in 1976.

In 1978, the bank moved into factoring — when a business sells its accounts receivable at a discount to a bank in order to meet current cash needs — through a wholly owned subsidiary, Commerce Factors Ltd., which was the Canadian link in a worldwide organization of factoring firms in twenty-one countries. Lease financing was also strengthened by the creation of another subsidiary, Commerce Leasing Ltd., with offices in eight Canadian cities.

Another major breakthrough arrived in 1979 when interbranch banking was introduced at 1,400 on-line branches, thereby allowing customers to make deposits, withdraw up to a daily limit of $500, transfer money between accounts, update passbooks, and obtain account balance information. For tellers, interbranch banking reduced traffic at key periods during the day, thereby allowing them to spend more time with customers, answering questions, and advising them of other services.[18]

The next important change foreseen by the bank involved reducing the 1.5 billion cheques written by Canadians each year. "Two substantial costs are involved — the cost of handling cheques as pieces of paper and the cost of 'float,'" said J.C. Lofquist, vice-president, consumer finance division. Float is money within the banking system that is counted twice when a cheque is



Interbranch banking made day-to-day banking easier.

deposited and credited to the payee before the money leaves the payer's account. "Normal float in the Canadian banking system runs around $1,200 million annually, and with an annual growth rate of 10 percent, the projections of future costs of float and cheque handling are startling. Some means to stem this tide has to be found, and on a long-term basis, the 'card' appears to be the solution."[19] For CIBC, the "card" was Chargex as well as Commerce Key Account cards. The bank was more than ready for the future.

4

Leaving a Legacy

Through all the profound internal change during Wadsworth's time in office and with his increased public profile, he always showed an unusual combination of patience and prescience. In so doing, he was unlike those bankers for whom personal ambition is everything. "In bank terms, he's a disturber," wrote June Callwood in the *Globe and Mail* in 1975. Callwood's insightful column described certain characteristics that set Wadsworth apart from his peers. "Bank suzerains are likely to be men who are conservative, shrewd, and diligent. There's a grace about them derived largely from assured social position and habituation to power. They make a visitor comfortable, which harried or scared people cannot do," wrote Callwood. "Page Wadsworth fits these generalizations but is much more complex than the smoothness and poise they suggest."[1]

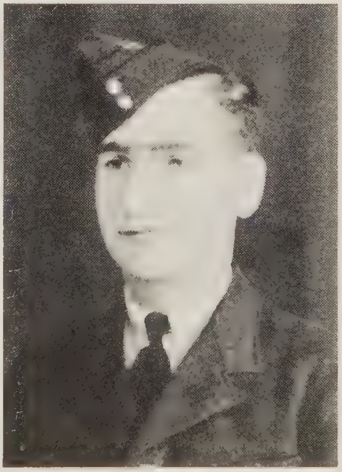
While a few individual bankers like Wadsworth were more forthcoming than their predecessors, banks and business were generally beginning to receive more media attention. The publication in 1975 by Peter C. Newman of *The Canadian Establishment* increased that scrutiny. His book about the inner workings of business featured anecdotal detail the likes of which had never before been published in Canada. Writing for the *Toronto Star* syndicate about Newman's book, columnist Richard Gwyn set down his own thoughts about the banks' revered place in the lives of Canadians: "The habit sets in about the time you are confirmed or make your first communion: you open your first bank account. Later, abandoning the bank you inherited from your parents is more difficult than abandoning your parents' faith. To belong to no bank at all is far, far harder than to belong to no church at all."[2]

Gwyn continued, with interspersed quotes from Newman: "A worshipful attitude toward the banks is the keystone of our national identity: we revere our banks, fear their wrath, and hold them more deeply in awe than any other people. Why? In the first place, banks are authority figures: 'Bankers discharge their powers with the self-conscious virtues of representative elders as at Presbyterian synod meetings . . . the fiscal father-confessors of us all.' Second, we hold our banks to be infallible: 'the safest and one of the most profitable banking systems on earth.' Last, and most important of all, because our bankers are so moral. 'Responsibility is a concept that bankers understand. Despite their exalted place in the country's fiscal firmament, they are middle-class men and mighty proud of it.' Everything changes these days. The banks don't, though they bow to the times with pastel colours and tellers who actually smile at customers. That's why they last, and why we hold them in awe."

During the years 1970 to 1975, profits at the big five Canadian banks grew by 18 percent, more than double the 6.9 percent of the twenty-three largest banks in the U.S. Assets were also up at a greater rate, 18.6 percent versus 15.7 percent, according to investment dealer Burns, Fry Ltd.[3] As a result of such a profile, banks could also be the focus of ne'er-do-wells. On May 10, 1973, a red-bearded man wearing a stocking mask walked into the CIBC branch in Kenora, Ontario. He was

carrying a rifle and declared that he was wired to a homemade bomb. He warned manager Al Reid that if anything happened to him, the six sticks of dynamite around his waist would detonate because of a "dead man's switch," operated by a clothespin he clenched between his teeth. The robber allowed employees to leave and then held Reid hostage for more than an hour. Regional superintendent for Kenora, 200 kilometres east of Winnipeg in northwestern Ontario, was Jim Rogan. "We were doing a little praying," he said. "It was pretty tense."[4]

As the robber gathered bags of cash, local police surrounded the branch. The robber left the bank led by Constable Dan Milliard who had volunteered to drive the getaway truck demanded by the bandit. Within thirty seconds, the perpetrator was dead, shot by a sniper, Sergeant Robert Letain. The bomb detonated, blowing the robber to pieces in the street along with hundreds of scattered banknotes. Constable Milliard, who was protected from the blast by a duffle bag filled with money that he carried on his back, was still walking with a limp a month later. Eleven other people suffered minor injuries. All the money was recovered.[5]



Jim Rogan, who became the regional superintendent for Kenora, was a sergeant with the RCAF in the Second World War. This photo was published in a commemorative book, *War Service Records, 1939–1945*, by the bank.

That incident was just one of many in the career of Rogan, who joined the Bank of Commerce in 1939 in Vermilion, Alberta. Rogan took a leave from the bank in 1941 to serve in the Second World War with the Royal Canadian Air Force at Topcliffe, Yorkshire, England. As sergeant, he was part of the administrative staff with the 1659 heavy conversion unit, training pilots for the switch from Wellingtons, a two-engine bomber, to the four-engine Halifax and later to Lancasters.

After the war, Rogan went back to Vermilion. "The bank let everybody return to their hometown for a period," he said. He then moved to Calgary as an assistant manager before rising to become

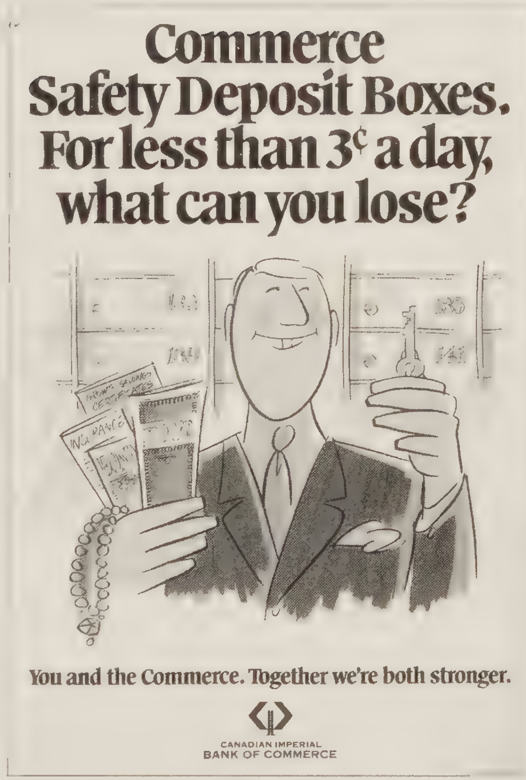
vice-president and regional general manager of Saskatchewan from 1976 to 1982 when he retired. "The bank was a good place to work," said Rogan, "and I enjoyed my time in its service." His younger brother, William, also with CIBC, ended his career as an inspector in Edmonton. Jim Rogan was among the bank's oldest pensioners when he died in 2018 at ninety-eight.

WADSWORTH ALSO ENJOYED his time in the bank's service by getting out of head office, visiting customers, seeking new business, and spreading the word about CIBC. Following his appointment as CEO, Wadsworth held a series of meetings across the country to meet branch managers and senior personnel. He told them about the new organizational structure and philosophy, reviewed historical trends in market share, and shared his plans for the future.

During the month of April 1974, he travelled from coast-to-coast in Canada, beginning in St. John's on the twenty-fifth anniversary of Newfoundland joining Canada. At the end of the month, he delivered a speech in Prince George, British Columbia. "I believe it is an important part of my job, not only to have a close and timely reading of the nation's economic pulse, but also to keep in touch with developments in all parts of Canada which, when woven together, become a great and proud fabric," he said. "There is a lot of Canada between Signal Hill in St. John's and Connaught Hill Park here, just as there is a wide range of viewpoints, hope, people, and economies, but there is one significant common bond that runs through virtually every community and puts all those great differences in perspective: we are all Canadians and all of us have the chance — you have the chance right here in Prince George — to take advantage of our remarkable opportunities and to make our mark." He concluded his speech by saying, "We have been using a slogan in our bank advertising: 'You and the Commerce, together we're both stronger.' I would change this to 'You and Canada, together we're all stronger.'"[6]

Much of that institutional strength was the result of a constant flow of accurate information. Without such a flow, no bank can function. Speeches, town

halls, circulars, surveys, one-on-one conversations, credit reports, and video hookups have been just some among the many ways of sharing information at the bank. One of the more innovative means was Commerce Intercom. Introduced in 1978, it allowed individual staffers to ask questions, make suggestions, or file a complaint with anonymity assured. Employees filled out and submitted a two-part form, the name and address was then separated and locked away, and a code number given. The words were transcribed onto plain paper and then sent to the appropriate person or department for a response. The reply was reunited with the original name for return to the sender's home address. During the first six months, 1,241 submissions were received covering 1,313 questions, complaints, and suggestions.



A series of promotional brochures featured the slogan "You and the Commerce. Together we're both stronger." This brochure is from 1972.

Information was also conveyed by employee publications, known over the years by a series of titles — *The Caduceus*, *The Link*, *Current Account*, and *The News* — that contained stories and photos about new bank policies, appointments, deaths, and homespun pieces on some staffer's interesting hobby. In 1987, 1,700 video units were installed in branches and offices worldwide to deliver on-site training as well as up-to-date information on products, policies, programs, and other developments.

The bank also expanded its staff of professional economists to form a team that could better provide thoughtful analyses and insights about national and international issues. The team delivered its views through *Commercial Letter*, a quarterly publication that was publicly available. (First issued in 1915, the name was changed in 1979 to *Spectrum* and expanded to twelve pages from eight.) Another outlet was *Commerce Leading Indicator*, a composite of eleven historically tested statistics that offered guidance on where the economy was headed in the near term.

While CEOs such as Wadsworth, Harrison, and Fullerton had started their careers at the bank and worked their way to the top, others started at CIBC, obtained experience elsewhere, and then returned in an executive role. One individual who had a hand in launching the career of an eventual CEO almost didn't get a job herself. On a Friday evening in July 1975, Josie DiGiacinto walked into the branch at Bloor and Fieldgate in her community of Cooksville, Ontario, which is now part of Mississauga. She filled out an application form but was told there were no jobs. Undaunted, DiGiacinto said, "There's a pregnant teller, train me. I'll work in her position. Once she leaves, I'll fill in, and when she comes back, I'll leave."[7]

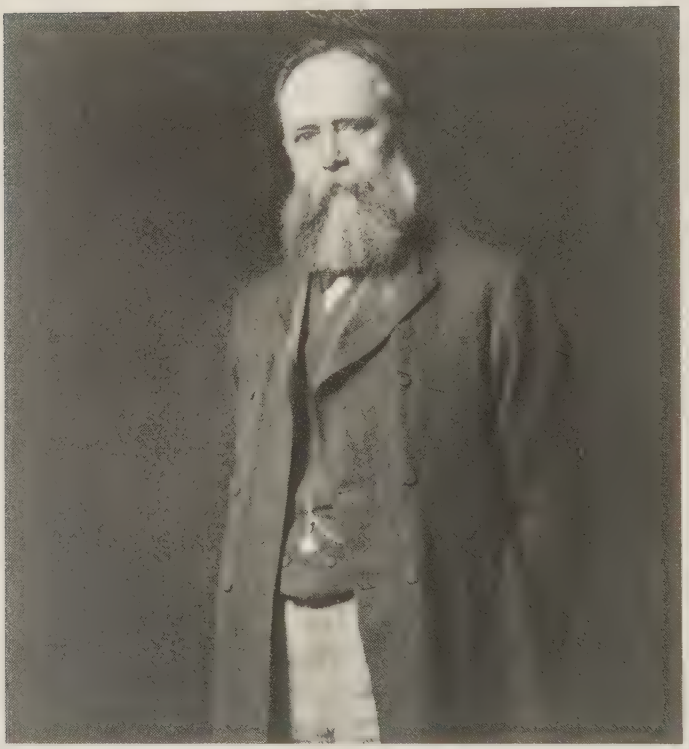
Her suggestion didn't seem to gain any traction at the time, but when DiGiacinto arrived home there was a message telling her to report on Monday to the teller training facility at Commerce Court in downtown Toronto. The new mother did not return to her position at the bank, and DiGiacinto's career continued uninterrupted, even through the raising of her own three children.

DiGiacinto became manager of a branch; after two years in the role, she decided she preferred working with customers rather than overseeing employees. For the more than twenty years since, she has been a financial services representative arranging mortgages, lines of credit, and Visa applications, now at the Burnhamthorpe and Creditview branch in Mississauga. "I really enjoy helping the client," she said. "Many clients have come to me and say I'm their angel that's taken them out of financial misery."

Among her many contributions to the bank was hiring Victor Dodig, who was named chief executive officer and president of CIBC in 2014. When Dodig applied for part-time work in her branch in 1985, DiGiacinto already knew him because he had an account at the branch, had delivered newspapers in her neighbourhood, and she knew his parents. Dodig wanted to earn money to pay his university tuition; DiGiacinto hired him as a customer service representative. He worked Thursday and Friday evenings as well as all-day Saturday year-round for the next three years while obtaining his bachelor of commerce from the University of Toronto (St. Michael's College). Dodig then earned an MBA from Harvard University and a diploma from the Institut d'études politiques in Paris. Dodig led several businesses with UBS and Merrill Lynch in Canada as well as internationally, and was a management consultant with McKinsey & Company. Dodig rejoined CIBC in 2005 then headed the wealth management, asset management, and retail banking businesses. "He was always a go-getter. He wanted to be the best at what he was doing," said DiGiacinto. "If there was a problem, he'd help. He took pride in his work and always had a smiley face."

THE ACTIVE LIVES AT THE OFFICE and in the community of CEOs such as Wadsworth and Dodig follow in the tradition established by Sir Byron Edmund Walker, president of the Bank of Commerce from 1907 to 1924. During his term, Walker also served as chancellor of the University of Toronto and was the driving force in creating the Royal Ontario Museum for which he raised funds and donated his own extensive library as well as his collection of fossils. Walker played a key role in establishing Appleby School, a private boys' school (now the coeducational Appleby College), when he bought the original thirty-two-acre site in Oakville, Ontario. He also helped organize the Art Museum of Toronto, which later became the Art Gallery of Ontario.

Wadsworth's community involvement was equally far-reaching, in particular the deal he brokered that led to the Toronto Blue Jays. Enthusiasm for a major



Sir Byron Edmund Walker, president of The Canadian Bank of Commerce, 19[07].

league baseball team in the city started in 1973 when Paul Godfrey, chairman of Metro Council, persuaded the council and the Government of Ontario to help finance the renovation of Exhibition Stadium for the purpose of attracting a team. Next, Don McDougall, president of Labatt Breweries of Canada, was asked by his bosses to look into obtaining an ownership position in any future team. Jake Moore, a director on both the Labatt's and CIBC boards, told McDougall to talk to Wadsworth about financing the team and finding an investor partner. Wadsworth in turn recommended Howard Webster, owner of Imperial Trust and the *Globe and Mail*, who had a keen interest in baseball.

In 1974, Wadsworth convened a meeting in his office with McDougall and Webster. McDougall said Labatt's was interested in buying an existing franchise and then moving it to Toronto for an expected total cost in the $10–12 million range. "How much is Labatt prepared to buy?" asked Wadsworth. No more than half, McDougall said. Asked Wadsworth, "Would you be upset if the bank came along as a partner, maybe 45-45-10? Does that sound like something you guys could live with?" (Ten percent was the limit permitted under the Bank Act.)

When McDougall agreed, Wadsworth turned to Webster and asked, "What do you think, Howard?" Webster said that such an ownership arrangement was fine with him, at which point Wadsworth ended the meeting, saying, "Well, thank you very much gentlemen." McDougall was stunned at how little time it took Wadsworth to put the deal together. "We were gone. We were outside. We had all these hours of preparation," recalled McDougall. "And we weren't there more than half an hour, and that was with all of the niceties and coffee."[8]

In January 1976, the three-member ownership group struck a deal to acquire the San Francisco Giants and move the team to Toronto. San Francisco city officials balked, the courts intervened, and a new local owner was found. Fortunately, a few weeks later, in March, the American League decided to expand to Toronto, a decision that made sense based on local population figures. Almost three million people lived in the Greater Toronto Area, a market larger than enjoyed by existing teams in Baltimore and Cleveland. The American League team owners voted for the Labatt/Webster/CIBC partnership that beat out another Toronto bidder group led by Phil Granovsky, chairman of Atlantic Packaging.

The franchise fee was US$7 million with a payment of $620,000 due January 2, 1977, and the balance payable in three annual installments. The bank funded the preliminary costs and operating expenses of the partnership. David Lewis, senior vice-president, deposit business, marketing and customer services, represented CIBC on the five-member board of Metro Baseball Ltd., the entity formed to act as the general partner. Labatt's officers Peter Hardy and Don McDougall represented Labatt's; Webster and his nominee, former Ontario Premier

John Robarts — and a member of the CIBC board of directors — also served. "Wadsworth put those two competing groups together and we were meant to be the peacemakers between the two factions," said Lewis. "I got the nod to be the bank representative on the board." But there was never any infighting that required mediation. "Not once," Lewis said.

As the board focused on finalizing the name "Blue Jays," selected from among the hundreds of possibilities suggested by future fans, Labatt's — brewers of the popular brand Labatt's Blue — declared they were against that choice because they did not want to appear to be using the team so openly for marketing purposes. It was Robarts who put the final argument in favour. "When I'm having my constitutional in the morning, I look out the window in my back garden and there are a bunch of blue jays," Robarts told the board. "My God, they're aggressive birds." Said Lewis, "That carried the day, that's why it's Toronto Blue Jays."[9]

Toronto Blue Jays third baseman Kelly Gruber is featured on this 1989 brochure.

As an owner, CIBC supported the team financially from opening day in 1977 but it wasn't until 1984 that it decided to become more actively involved as a sponsor by calling itself the "Bank of the Blue Jays" in radio and TV ads. For the game against Baltimore at Exhibition Stadium on August 11, 1984, CIBC bought 11,000 tickets and distributed them to employees, their families, and friends. That same day, the bank announced a $2,500 scholarship to be awarded annually to the educational institution attended by a young Canadian baseball player chosen as the most promising in the country.[10] Prizes in one of the bank's employee incentive programs

included trips to spring training in Florida. Said Bill Neville, senior vice-president of the marketing division, "The Blue Jays help to humanize the bank a little bit."[11]

Schedules and posters were available in the branches. Players and B.J. Birdy, the team mascot, were under contract to make special appearances to meet customers of the bank. In 1986, for example, players made a total of twenty-five visits to branches.[12] At one point, pitcher Tom Henke toured branches in Winnipeg; outfielder Jesse Barfield visited the Hospital for Sick Children in Toronto. Over the years, spectators received free CIBC-branded items such as batting helmet piggy banks, posters, pennants, wallets, and knapsacks.

Exhibition Stadium served as a temporary home for the team's early years. Plans for a new retractable-roof domed stadium were drawn up in 1985, to be built adjacent to the CN Tower. Making up a portion of the $150 million original cost estimate for the new stadium, thirteen private sector partners — including CIBC — invested a total of $70 million with the province of Ontario and the city of Toronto making up the difference. By the time SkyDome opened in 1989, more private sector partners had been added, bringing their total investment to $140 million in what became the $600 million final cost.[13] At that point, the bank had a 10 percent interest in both the Blue Jays and SkyDome. CIBC had

Clients could pick up a Blue Jays schedule at their local branch.

Toronto Blue Jays relief pitcher Tom Henke (LEFT) and Warren Moysey, president of the Individual Bank, on a promotional tour in 1986 for CIBC's Saves for Charity campaign.

advertising signage in various locations inside SkyDome, and 300 Mac's convenience stores in Ontario had CIBC/Blue Jay schedules in display stands.

In 1989, Labatt's acquired the late Howard Webster's 45 percent interest in the Blue Jays from his estate for $67.5 million, meaning the bank's 10 percent position was worth $15 million — more than a twenty-fold increase from the initial $700,000 investment fifteen years earlier. "In any assessment of the Toronto Blue Jays, any attempt to explain the team's success, ownership always comes first. The Labatt/Howard Webster/the Bank of Commerce partnership (and after Webster's death, Labatt essentially running the show on its own) meant more than any player, any executive, any strikeout or home run," wrote Stephen Brunt in his book *Diamond Dreams: 20 Years of Blue Jay Baseball*. "They paid the bills and put enough money in the system to build a winner."[14]

In 1998, Sportsco International, a group of American investors, bought SkyDome, thus ending the bank's ownership position in the stadium. The 1995 purchase of Labatt by Interbrew SA, a Belgian brewing company, created a new partnership for CIBC in the Blue Jays that lasted until 2000 when Rogers Communications Inc. acquired 80 percent of the Blue Jays (including the bank's portion) for $160 million. Baseball fans across Canada should be grateful for Page Wadsworth's unlikely behind-the-scenes efforts in 1974 as they were instrumental in creating a popular and entertaining team.

IN ADDITION TO SUCH EXTERNAL ACTIVITIES, Wadsworth paid attention to employee needs. He gathered figures and told the board that there were 744 pensioners of the bank with at least thirty years' service who earned less than $5,000 a year from all sources including the bank pension and supplement, Old Age Security, and Canada Pension Plan. A further 291 pensioners with between ten and thirty years of service were also earning less than $5,000. The total cost to bring all pensioners up to $5,000 was $823,000. The board agreed to the improvements. Wadsworth also helped individual employees quietly and without fanfare. For example, when the wife of one of the bank's elevator operators fell sick, Wadsworth assisted with the costs of her health care and sent the couple on a holiday to Florida.

When Wadsworth officially retired as chairman and CEO of CIBC, he received extended applause from shareholders at the annual general meeting in December 1976. During his three years at the helm, the bank's assets had grown from $16.1 to $26.1 billion. CIBC was the second-largest bank in Canada, only slightly behind the Royal Bank's $28.8 billion and well ahead of Bank of Montreal with $20 billion, Bank of Nova Scotia at $18.2 billion, and Toronto-Dominion's $16.3 billion.

Although Russ Harrison took over from Wadsworth as chair at the board meeting held in conjunction with the 1976 annual meeting, it was Wadsworth who dealt with persistent questioning from shareholders representing the General Synod of the Anglican Church, the Anglican Sisterhood of St. John the Divine, and the United Church of Canada and its two pension plans. They were opposed to loans to South Africa given that government's policy of apartheid. Wadsworth stated the bank's commitment to adhere to Canadian government foreign policy on international lending. He also pointed out that all of the bank's international loans used money raised abroad, not from domestic sources. Further, he denied press reports that the bank had violated economic sanctions imposed on Rhodesia by saying that the bank had not made any loans in that country.

The board of directors praised his service with a brief biography and congratulatory words that were included in the official minutes: "Throughout his

long career, Mr. Wadsworth has devoted himself unsparingly to the interests of the bank, and his broad knowledge and experience, sound judgment, and unfailing human understanding have enabled him to make a most significant contribution to the development of the bank."[15]

Wadsworth retired as a director in 1982, but continued to attend board meetings as an observer, joined the directors for lunch, and went into his office daily on the twenty-third floor of Commerce Court West until he died of cancer at eighty-five on January 21, 1997. "He was a very dynamic leader who was at the same time the most sensitive person I've ever met," said Al Flood, chairman and CEO of CIBC from 1992 to 1999. "He opened us up, made us a friendlier organization, inside and out."[16]

5

The French Connection

Russell Edward Harrison was born in Grandview, Manitoba, on May 31, 1921. A fifth-generation Canadian, he grew up in The Pas, over 560 kilometres northwest of Winnipeg, at the end of the railway line. He graduated from the University of Manitoba with a bachelor of commerce degree in 1943 and then served with the 1st Canadian Parachute Battalion during the Second World War. Harrison later viewed his wartime experience as better training for life than any classroom. "That had a lot more importance to me than university," he told Joan Sutton of the *Toronto Sun* in June 1982. "It got me out of my little town into the big world, and I came back with a lot more confidence. I didn't enjoy the parade grounds or the barracks part of it, but I liked the action. I was scared skinny a good part of the time, but even then I enjoyed it."

In 1945, Harrison joined the Bank of Commerce in Winnipeg as a clerk. A speech Harrison delivered in 1973, when he was executive vice-president and chief general manager, evoked the drudgery of those early days. "When I entered the banking field, virtually every bit of the recording and counting was done by hand or by relatively simple mechanical operations," he said at the convocation ceremony at Lambton College in Sarnia, Ontario. "Frankly, many of the tasks involved were repetitive, frustrating, and just plain dull. People did them, but they endured them rather than enjoyed them."[1]

In 1953, Harrison was posted to Hamilton, Ontario, as an assistant manager, then moved to Toronto where he became chief inspector in 1956. That December, he was sent to Montreal as regional superintendent and assistant general manager. In 1963, he took charge of the bank's Quebec operations as regional general manager.

Russ Harrison might have looked for all the world like the classic banker, but he had a place in his heart for both the ordinary employee and customer. He thrived in Montreal because he was far enough removed from head office not to become too entangled with the jostling and politicking for position. He could let his maverick side prevail, the part of him that didn't always follow the bank's hidebound rules, preferring instead to rely on his own instincts, an attitude toward life that had been honed as a paratrooper.

Quebec was of a size that allowed Harrison to interact with many employees and have an impact on people, products, and services. Harrison and his wife, Nancy, took French lessons to improve their language skills. Harrison brought in bilingual forms and other material for the branches; previously, everything had been in English only. In that Lambton College speech, Harrison provided additional insights about his work. "It seems to me that work from which we learn something, work which leads to the creation of things or ideas, work which eases burdens or pain or which liberates — all of these are good," he said. "I feel that my work is good when I can channel financial resources into the hands of people who can use it to create new enterprises or to enhance their personal situation."

Russell Harrison's first posting was at the Portage and Garry branch in Winnipeg, Manitoba.
This photo was taken in 1952.

In that same speech, he admitted there were also aggravations that reduced his productivity and dimmed his focus. "Studies on the management of time in business consistently show that a high proportion of senior managers' time is spent doing things that are relatively unproductive but which intrude on the consciousness of the executive. In other words, a minor problem which seems urgent will divert the executive away from a major matter which may be of far more fundamental importance to the business," he said.[2]

In Montreal, Harrison took a particular interest in francophone employees with potential. Chairman Neil McKinnon would visit Montreal and see dashing young men who were not dressed in the staider anglophone attire to which McKinnon was accustomed. He'd ask Harrison, "Who's that guy down there in the pointy shoes?" It might have been Paul Leger, Marcel Casavant, Larry Hivon, Roch Belanger, or Martin Dufresne, among others. "If you look back at the first annual report after the amalgamation with the Imperial Bank in 1961, there wasn't a francophone Quebecer in any serious job in and around Montreal," said Leger, a bilingual Acadian born in Moncton, New Brunswick, who joined the bank in 1950 and worked in more than half a dozen Quebec branches, including the branch at Expo 67.[3]

As a result of Harrison's foresight and efforts, the career paths of francophones soared throughout the 1970s and 1980s. "He would always have three or four guys who were perceived to be going up the ladder. They weren't anointed per se; Harrison would just talk to them more often," said Leger. "First thing you know, one of them would be transferred to a credit department function in head office. They'd come back and get a big branch. He was the motor that made it work."

Casavant was posted to run a branch in Windsor, Ontario, to improve his English, and he then became vice-president and regional general manager of Montreal. Belanger was sent to Alberta, returned to Quebec as a vice-president and regional general manager, and later served in Brussels and London. Dufresne was named vice-president and regional general manager in Ontario East and North Region (Ottawa). Leger became Quebec senior vice-president and regional

general manager. Hivon and Casavant were both executive vice-presidents in Toronto when Harrison was CEO. Said Leger, "When the separatists took over in 1976, Harrison was gone from Montreal by then, but Jack Griffiths who took his place, and Gordon Lennard, just followed his plan: we have to promote French-Canadian people, Quebecers, into these jobs."

Following the 1976 election of René Lévesque and his separatist Parti Québécois, a law known as Bill 101 was introduced in 1977 to make French the most commonly used language in Quebec. Sun Life Assurance Co. of Canada decided in 1978 to move its head office from Montreal, where it had been located since 1871. Other financial institutions also relocated senior officers and key departments from Montreal to Toronto. According to a 1978 study released by a Liberal member of the National Assembly, at least forty-two major companies moved all or a major part of their head offices out of Quebec. The departures included Allied Chemical Canada Ltd., BP Canada Ltd., MacDonald Tobacco Inc., Standard Brands Ltd., and Redpath Industries. Relocations continued until 1996 when Canadian Pacific Railway moved its head office operations to Calgary.[4]

CIBC's attitude to francophones and the French language was in tune with the changing times. The bank continued to attract top francophone candidates for jobs. Typical among them was Alain Forest who planned a career in public relations after his studies at the University of Ottawa. Instead, a conversation with the manager of the CIBC branch on campus changed the direction of his life. Although Forest was studying communications, he was also interested in finance and the economy, both in Canada and around the globe. One day, he knocked on the door of the branch manager, André Gravel, to ask about banking. "He took the time to explain his job on a daily basis, and that's how it started," said Forest. On other occasions, when Forest was in the branch, Gravel would leave his office to chat with him.[5] Forest became so interested in banking that he added commerce courses to his curriculum and graduated in communications and commerce, and he joined the bank in 1976. His father had done business with CIBC in Valleyfield, Quebec, and was pleased with his son's direction: "My father and my family were very happy that I was joining an English-speaking

bank based in Toronto. It was big and it was reputable. For thirty-three years, CIBC was my only employer."

For his first three years, Forest worked in various Montreal branches, including Crescent and Sainte Catherine and 8495 Decarie Boulevard. At only twenty-five, he was named manager of the branch at 9574 Gouin Boulevard West. In 1984, Forest opened CIBC's first private banking branch in Quebec. There were twelve employees advising and making recommendations to clients with at least $100,000 in annual income and $500,000 in investible assets. "My mandate was to bring in new business so I was involved in different organizations in Montreal and working with referrals," he said. In particular, he sought out young professionals who had high potential for future investing. In 1990, Forest was made manager at 265 St. Jacques Street, the second-largest branch in Quebec, with eighty-five employees. Three years later, he became manager of Montreal main branch, at 1155 René Lévesque Boulevard West, with 150 employees. Canada was in a recession: clients were struggling and many small businesses faced bankruptcy. "I always said to my employees, 'If the main branch doesn't do well financially, the Quebec region will have a problem. Everybody in the other branches is looking at you, what you're doing, and the way you do business. You are an example.'"

At the same time, branch banking was changing right across Canada. Counter staff were asked to become more sales oriented, with weekly and monthly targets to meet. As Forest's role turned more to coaching, he had twelve people reporting to him. He conducted coaching sessions on a weekly basis with employees in the retail and investment banks. In addition, he met customers and did business development. Forest retired in 2009. "I am proud to have worked with so many innovative people," he said. "The bank is a good employer. They respect their employees. The CIBC is my family."

While Harrison nurtured specific employees, he also tried to elevate the performance of all. One lunch hour on a Friday — payday for bank employees — the Montreal main branch was packed. Although nine tellers were open, every lineup was ten people deep. Harrison presented himself at the desk of accountant Alex Broomfield, who oversaw the staff, and demanded, "Can't you run your branch?"

Replied Broomfield, "Mr. Harrison, half of the clients lined up are your staff." "Work out a process and let me know," said Harrison and then strode away.[6]

Broomfield proposed that when bank paydays occurred on a Friday, regional office staff working on the floors above would conduct their banking between 8 a.m. to 10:00 a.m. before the branch officially opened. During regular hours, 10 a.m. to 3 p.m., employees would not be served. Harrison approved the new protocol. "If you challenged him," said Broomfield, "he would accept it."

Harrison's next role was executive vice-president and chief general manager in Toronto. Said the official appointment notice, published in 1969, "He will report to the President and will be responsible for the day to day operations of the bank's Canadian and International regions and of all staff departments and divisions."[7] Russ Harrison was leaving a focused job in a single province that had given him much personal pleasure. Ahead lay a sweeping global role that would test his professional mettle.

SUCCESSFUL BUSINESS LEADERS grow into their jobs by drawing on their own internal resources, gaining strength from those around them, and learning new techniques for achieving goals. Only then do they begin to demonstrate their talents to the world at large. Just such a moment arrived for Russ Harrison in May 1972 when he spoke to the Kiwanis Club of San Diego, California.

Maybe it was due to the out-of-country location, or maybe he had by then become sufficiently comfortable in his own skin as executive vice-president and general manager of the bank. Whatever the reason, the speech demonstrated that he had sufficient self-confidence to tackle major issues of the day with humour and candour. On that occasion, Harrison wrestled with an eternal question: "What is a Canadian?" He began by painting a picture of spring familiar to any Canadian. The Stanley Cup had just been decided; neither finalist was from Canada. The Boston Bruins, led by Bobby Orr, beat the New York Rangers four games to two. "The bulbs and forsythia are out. The trees are in leaf, the ice is out of the lakes, the temperatures are moving into the sixties," said Harrison. In

typical self-deprecating Canadian fashion, he then said, "I wouldn't dare boast about a Canadian climate."[8]

Harrison went on to describe a dilemma about which his California audience may have been blissfully unaware. "After 105 years since Confederation, we are not very sure what being Canadian means and what it involves. We are still searching for a Canadian identity." Part of the problem was the "inevitable and insistent pull toward continentalism" because of links with the U.S. through language, history, geography, culture, and the economy.

With this background established, he explained where the Pierre Trudeau government was headed as it explored the establishment of a screening mechanism on foreign investment. Harrison could already see the likelihood of the Foreign Investment Review Agency (FIRA), which was created the following year. Americans, said Harrison, should understand that such activity was normal. "This is the Canadian identity I referred to — we need investment and shall continue to for many years — at the same time we want to and *must* develop our country as much as is possible ourselves. This is in no way contradictory. We are acting as you and virtually every other industrialized country has at some stage in their development."

Harrison concluded with a pitch for more two-way trade. "Canada offers a sizeable market; Canada is growing and at the same time welcomes your participation. As the twelfth largest bank in the world, the Canadian Imperial Bank of Commerce, together with our affiliate, the California Canadian Bank, are well suited to providing the services you may require if you should take an interest in investing in the future growth of Canada." As author and poet Robert Louis Stevenson once said, "Everyone lives by selling something." Harrison was refining his skills for his eventual role as the bank's chief salesman.

COINCIDENT WITH HIS PROMOTION in 1969 to the role of executive vice-president, Harrison was designated as the bank's representative on the executive council of the Canadian Bankers Association (CBA). In 1973, he became president

of CBA, a one-year position that rotated among representatives from the big five banks. He was also asked to join the Canadian Advisory Committee of the Royal Insurance Group in 1969 and the board of United Dominions Corporation (Canada) Ltd. in 1973.

Even before Neil McKinnon stepped down in December 1973, Harrison was putting his own stamp on the hierarchy. In June, Harrison announced the promotions of four senior officers who would report to him. On December 11, 1973, when Wadsworth replaced McKinnon as chairman, Harrison was promoted to president and chief operating officer of the bank, with Don Fullerton taking over from Harrison as executive vice-president and chief general manager. In his remarks at the annual meeting that day, Harrison addressed the widespread allegations that decisions on all major loans across Canada were made in head office. "Our operating management in the various regions across Canada have been continually delegated increased discretionary powers in dealing with matters of significance to their regions including the authorizing of individual loans of substantial amounts," he said. "We have 23,000 people working and living in many of our Canadian cities, towns, and villages. They are part of the life of the region in which they live — sensitive to its needs, aware of its problems, and anxious and ready to assist and participate in the future growth and development of their part of the country. They have the full support of all of us."[9] Harrison was presenting himself as a man who knew he needed the help of others to accomplish his goals.

WHEN HARRISON, at age fifty-five, became chairman and chief executive of the bank at the annual meeting in December 1976, his speech to the meeting focused on the heavy hand of the federal government. "The greatest contribution of government," he said, "will be to reduce its levels of intervention and also to reduce the extent of its diversion of our resources away from productive and constructive uses."[10] Harrison abhorred interventionist agencies such as the Anti-Inflation Board (AIB) established in 1975 to administer wage and price controls. The AIB

also restricted profit margins on the bank's domestic business to 85 percent of the average of the years 1970 to 1974. Furthermore, the AIB set maximum interest rate spreads and prohibited price increases on most bank services. There was no similar constraint on operating costs; they continued to increase. So, even though assets and revenue rose, profits fell. Profits did not return to good health until 1978 after AIB rules were lifted and profits improved by 28.5 percent from 1977.

Prime Minister Trudeau was no fan of bankers. In 1976, he said that Canadians complained but bankers were "the worst bitchers of all."[11] In response, Harrison poked fun at Trudeau, saying, "When I criticize government behavior, I, therefore, feel a little like Voltaire, who is reported to have said as he lay on his deathbed and a priest asked him to renounce the devil: 'Is this any time to make new enemies?'"[12]

For his part, Harrison sought an end to what he saw as a battlefield mentality between business and labour by calling for a more cooperative approach: "If this element can be brought to the fore and we can abandon some of the adversary philosophy which still dominates business-labour relations, then we will have taken a major step toward a healthier and more productive environment for the competitive market system."[13]

Hanging over all else was fractured Canadian unity following the 1976 election of the Parti Québécois. The economic impact of threatened separation was immediate. The Canadian dollar, worth US$1.03 during the summer before the vote, began a steep decline that didn't end until it hit US$0.70 ten years later.

In an interview with Angela Barnes of the *Globe and Mail*, Harrison — who knew Quebec better than anyone else in the bank — was asked if CIBC, with more than 200 branches in the province, had any plan if the province seceded. "No," he said, adding, "it is inconceivable that we could be so stupid as to let Canada break up." Harrison explained that part of the problem was that Canadians were largely unaware of Quebec's unfortunate realities. Barnes wrote, "Mr. Harrison gave as an example the fact that he grew up in a northern Manitoba town and became the chairman of a major Canadian bank. He asked whether he could

have done that if he had been brought up as a French-speaking Quebecker. Also, he noted that French-speaking Quebeckers look at business in Quebec and see that a large part of it is controlled by English-speaking Canadians."[14]

Harrison told Barnes that the federal government had done "a deplorable job" explaining those issues. The solution to the divisiveness did not lie in opening a French-language broadcasting station in Regina or an English-speaking station in Quebec, he said. Instead, there should be less confrontation and more give-and-take between the federal government and the government of Quebec. "We would be indulging in wishful thinking to assume that this issue can be amicably resolved without what will probably be painful — and what may be regarded by many as distasteful — adjustments and compromise," he said at the 1977 annual meeting. "I believe that the vast majority of Québécois wants to reach a reasonable working arrangement which accommodates their special problems and aspirations. If such an understanding is not forthcoming, however, then there could well be a hardening of attitudes, even among people of moderation."

AS PART OF THE BANK'S commitment to a more united Canada, in 1978 it launched an Experience Canada exchange program for English-speaking and French-speaking students aged fourteen to eighteen. CIBC paid all transportation costs, with accommodation provided by the hosting family, during a student's one-week stay.

In a May 1979 letter to employees that included an application form, Harrison said, "At no other time in the history of our country has the need been greater to develop a spirit of understanding and cooperation among the people of Canada. The difficulties often associated with national unity are caused, in part, by our lack of appreciation of distinctive Canadian cultures and lifestyles. We believe our nation can be strengthened by providing opportunities for our young citizens to experience life in other parts of the country."[15]

Because of such initiatives, Russ Harrison was widely regarded as a welcome change in tone and attitude among top bank executives. A *Toronto Star* article

Participants in the Experience Canada program in 1984. FROM LEFT: Louise Wager Sharon Wozniak, Linda Wager, and Caroline Beaupré

published in 1977 called him "a refreshing voice in senior banking circles — he actually admits that his bank is not absolutely perfect and sometimes makes mistakes. 'If everything went according to our manuals, we'd be perfect — we'd be the ideal bank and put all the others out of business.' . . . Behind Harrison's quiet voice and banker's costume — dark suit, dark tie, dark socks and dark shoes — is a tough, experienced banker admired by the Commerce staff and by competitors."[16]

The key to the bank's future growth was good service, Harrison said in the same article. "All banks charge the same interest rate and all of us have the money to lend — the difference is in service." He cited a letter he'd received from a customer whose local branch was celebrating its 100th anniversary. For the

Russell Harrison [illegible]

occasion: the staff wore period clothing, served coffee, and pinned roses on their female clients. So pleased was one customer with her rose that she sent a thank-you note to Harrison. "It's so rare that someone writes to say something nice," he said. "I value that letter."

The article also noted: "One area where the Commerce is showing the way for other banks is in the appointment of women managers — it has more than 100 female branch managers." In fact, in 1977, there were 170 female branch managers or assistant branch managers. During the year the number of women

among the bank's appointed officers (assistant accountant and above) had risen by more than 300 to nearly 2,800.[17]

The wider world was following a similar path as women assumed what had been traditional male roles. In Britain, Margaret Thatcher was elected leader of the Conservative Party in 1975 and prime minister in 1979. Indira Gandhi had been prime minister of India from 1966 to 1977, serving again from 1980 to 1984. The bank was taking its rightful place as a leader among nations and institutions that were promoting women.

6

Past Imperfect, Future Tense

Updating hiring and educational practices were an important part of Russ Harrison's strategy for those changing times. Ridding the bank of its former ways, however, was a slow process. "We are hiring far more people with university degrees now than in the past. We are making greater use of formal educational resources for people who are on and remain on our payroll," said Harrison in a speech to the Conference Board of Canada. "But an enormous part of the staff development process in my bank, and in banks generally, remains a learning-by-doing process."[1]

CIBC employees at the simulation training branch in 1976.

In 1975, the bank opened the head office training and education department's simulation training branch in the historic Commercial Bank, a building immediately south of Commerce Court. Some parts of the building dated from 1843. The aim of the training branch was to graduate fifty to sixty qualified accountants and assistant accountants annually. The twenty-seven-week course consisted of classroom time, instruction in a simulation branch, and practice in an actual branch.

In 1955, the Bank of Commerce had opened the first staff college run by a Canadian bank. It also began paying for employee training in the fellows' program run by the Institute of Canadian Bankers thereby giving individuals access to evening courses at universities across Canada. By 1979, more than 500 bank employees had received their fellows' diploma.

Moreover, the bank was recruiting outside talent in many fields: data processors, chartered accountants, public servants, economists, and agrologists as

well as experts in mining, oil, and gas. In order to attract and retain the best, the bank closely tracked promotable employees. By the time an employee became an assistant accountant, information on that individual was housed in a computerized central record system. The most promising people underwent psychological tests and received constructive advice on strengths, weaknesses, and areas of potential improvement.

The names of top-ranked employees were passed along to the regional general manager for fast-tracking to the best opportunities. "A bank is a large organism, sometimes awkward and unwieldy, but an organism in a constant state of growth, improvement, self-renewal," said Harrison. "We have found that the people in the organization, like the cells in an organism, sustain its life, preserve the qualities developed in the past, and, by their personal strengths and excellences, carry the larger body forward to a state of greater vigor and health."[2]

At the same time, the best employees were helping clients achieve personal and professional goals. Allan Petric, manager of the main branch in St. Catharines, Ontario, approved a line of credit for Ed Werner, one of the four partners who developed the board game Trivial Pursuit. The game had been released in 1981, sold 1,200 copies, and the partners needed money to manufacture more. The game became a runaway success, selling 100,000 copies in 1982 and twenty million in 1984, thanks in part to the timely backing of the bank.[3]

THREE GENERATIONS OF DUNCANSONS — Francis, Frank, and Deb — are a prime example not just of a family who worked at the bank but also of the evolution of service and training over the decades. Francis was recruited in Dunfermline, Scotland, in 1911 to work in New Westminster, B.C. At the time, all the major Canadian banks hired young male Scots. "Scotsmen were known to save pennies," said Frank. "In a bank, that's not a bad thing."

Training was a family matter when Frank started in 1947 at the branch at Coleman, Alberta, where his father, Francis, was manager. The elder Duncanson retired in 1951 at age sixty, then branch manager in High River, Alberta.

Frank Duncanson at the opening of the Rankin Inlet branch in the Northwest Territories. Council Chairman Willie Adams and his wife, Martha, cut the ribbon

Frank's early years involved transfers to Alberta communities such as Milk River, Taber, and Beaverlodge. "The letter would come in. There was no questioning the move," said Frank. "The manager would call you in and say, 'You've been moved to such-and-such,' and you'd say, 'What time do I leave?'" Training for the new role was traditionally the responsibility of the previous office-holder, presuming that person hadn't already moved on.[4]

Frank's later postings included manager of the Ottawa main branch; roles in personnel and corporate banking; and regional general manager of Alberta

and Northwest Territories. "You're 2,000-odd miles away from head office. They would try to continue to run you day by day, but it's too far away and they can't do that with any of the important stuff. So, you really ran your own little fiefdom." Frank retired in 1990 from his final posting as a senior vice-president.

CIBC's announcement at Deb's high school about summer jobs led to her work as a teller during high school and university. Deb joined full-time in 1979, took the officer-in-training program, and became assistant accountant at Bow Valley Square in Calgary. Next, she was an instructor at the training centre, followed by branch manager in Edmonton, manager of the training centres in Calgary and Edmonton, and later ran retail markets training and development in Toronto.

By 1986, almost everyone in the bank was receiving some measure of training. That year, about 71,000 training days took place at a cost of almost $12 million. In one program, more than one hundred of the bank's executives participated in "Excellent Manager" training. That same year, when employees were given the chance to share in profits by investing in bank shares through the Employee Share Purchase Plan, 12,000 employees signed up.[5] Training was continuously enhanced and encouraged. In 1990–91, the bank trained more than 40,000 employees on service/quality principles, problem-solving, and leadership practices.[6]

Deb left the bank for a while but returned to do contract work in CIBC training development. "I've got CIBC in my blood. It always felt like home, not just because of Grandad working for the bank and Dad working for the bank, but because I started in the teller training program when I was sixteen," she said. "I feel like I've always been part of CIBC."

DURING THOSE YEARS when training was becoming more structured and rigorous, banking was also moving beyond three-six-three, the old joke about bankers taking in deposits at three percent, lending the money out at six percent, and being on the golf course by three in the afternoon. Running a bank had become all about multi-tasking. For Russ Harrison, that meant dealing with issues both global and national: public outcries over loans to South Africa, union certifications

at bank branches, bad loans to troubled corporations, and the worst economic downturn since the Great Depression of the 1930s. "I remember Russ telling me, 'André, every time I get up in the morning, I feel like I could cry. Damn things hitting us, when will it cease?' So he was pretty discouraged," said André Monast, a bank director and senior partner at the Quebec City firm of Stein, Monast, Pratte & Marseille.[7]

In 1972, the World Council of Churches began urging religious organizations to cease doing business with banks that made loans to South Africa. Heated debates at annual meetings of the big five banks became a regular part of the proceedings. The attack was led by the Taskforce on the Churches and Corporate Responsibility, an ecumenical coalition founded in 1975 by Canadian churches and religious orders.

Wadsworth had spoken on behalf of the bank at the 1976 annual meeting. At the 1977 meeting, it was Harrison who explained his opposition to their arguments. "Firstly, to reveal our credit practices concerning any specific country would abridge the principle of bank/client confidentiality, which is founded in common law and rigorously observed in all of our customer relationships; secondly, while the Taskforce continues to press us not to make any loans to the government of South Africa or its agencies, we continue to decline to give such a commitment; thirdly, our response does not necessarily mean that we are in fact continuing to make such loans. It simply means that we reserve the right to invest or not to invest in any given country at any given time, using sound commercial and economic criteria with due regard to the social and political considerations," he said. "We are active around the world in more than 100 countries where governments span the political spectrum and social and economic philosophies are not always in tune with our own. Our bank will not knowingly operate in a manner that is immoral, contributes to immorality, is socially irresponsible, or is contrary to the national interest," said Harrison.[8]

Other banks began to buckle under the increasing public pressure. In 1979, the Royal Bank said it was invoking tougher conditions on any new loans to South Africa. In 1980, the Toronto-Dominion Bank said it would make no new

loans to South Africa. Because there were so many questions on the topic from the floor, the 1982 CIBC annual meeting ran for two-and-a-half hours. Even so, Harrison was able to poke fun at himself during his opening remarks in a speech delivered later that month. "Having just recently survived the full fifteen rounds of an annual meeting in my home city," he told the Montreal Society of Financial Analysts, "I think I am in fighting trim to take on this assignment today."[9]

Meanwhile, the bank was taking steps to be more transparent. The 1982 annual report included a breakdown of all countries with foreign currency loans from the bank that amounted to more than 1 percent of the bank's total loan portfolio. The countries named were the United States ($6.6 billion), Britain ($1.3 billion), Brazil ($931 million), Mexico ($797 million), Australia ($473 million), and France ($469 million). The last two were included because they were close to the 1 percent cut-off level of $538 million. South Africa was not on the list.

In 1985, when the Canadian government asked for a voluntary ban on loans to South Africa, the bank declared it had in fact approved no new loans to the South African government since 1975. The situation was finally resolved after F.W. de Klerk became president of South Africa in 1989 and gave a speech that spelled the end of apartheid. The following year, de Klerk announced reforms that led to the release of Nelson Mandela, leader of the African National Congress, who had been imprisoned for twenty-seven years.

CONCURRENTLY WITH THE DEBATE about South Africa, labour unions launched efforts to represent employees in bank branches. The Kitimat, Terrace, and District General Workers' Union had tried in 1959 to organize employees at a branch of the Bank of Nova Scotia in Kitimat, British Columbia. The Canada Labour Relations Board (CLRB) ruled against the attempt by saying that one branch could not constitute a bargaining unit. The banks relaxed, thinking that unions would never be able to organize multiple branches at the same time.

In 1976, two different unions tried again. The Canadian Union of Bank Employees applied to the CLRB to represent one branch of the Bank of Nova

Scotia in Simcoe, Ontario. The Service, Office, and Retail Workers Union of Canada filed to represent workers at seven CIBC branches in British Columbia.

After a year of deliberation, in 1977 the CLRB reversed its earlier ruling and announced that one branch could indeed be a bargaining unit, saying that it would be difficult for any union to organize on a national basis. Thus heartened, six different unions and the Canadian Labour Congress set out to sign up bank employees. A handful of collective agreements were signed, but overall organizational success was limited. Most bank employees seemed unwilling to trust third-party representation. Moreover, collective agreements were not resulting in wage and benefit gains any better than those granted to non-union branches.

As a result, unions began losing momentum. From a high of 120 branches certified in all Canadian banks, by 1981 the total number had fallen to seventy-two out of a total of 7,400 branches. In British Columbia, the union representing workers of several banks, including CIBC, said it lacked sufficient dues-paying members to afford the costs of contract talks.

Staff began voting more often for decertification than certification. The most serious disruption occurred during a 1985 strike at the Visa centre in Toronto. As part of the bargaining pressure, picketers slowed access to the Commerce Court parking garage, sent noisy groups into Toronto-area branches, and made harassing calls to the Visa phone lines. By 1990, however, only forty bargaining units remained among all the Canadian banks, including eight units of the bank representing fewer than 500 employees.[10]

JUST AS THE UNION THRUST WAS FADING, Harrison and the bank were faced with another issue: rising interest rates. As the Bank of Canada raised rates, the banks were forced to act in lockstep. In August 1981, when interest rates peaked, regular savings accounts paid 19 percent, five-year residential mortgages were 21.75 percent, and prime rate was 22.75 percent. Past lending habits could not continue under such a regime. "The manager can do more than just apply

the basic lending criteria but bending and stretching of such criteria, which had become part of our competitive life in the seventies and early eighties, must be minimized and only applied in those accounts that fully warrant such treatment," wrote Harrison in a March 5, 1982, circular.

Economic problems had become pandemic. In the United Kingdom, unemployment reached 12.5 percent. In the United States, hundreds of savings and loans institutions failed. The impact of the recession was worse in Canada. "The 1981–2 recession was about 50 percent steeper in Canada than the U.S., measured in terms of [gross domestic product], and the recovery has been much more sluggish. This is the first time in this century a recession has displayed these characteristics," said Donald C. MacCharles in his book, *Trade Among Multinationals: Intra-Industry Trade and National Competitiveness*.[11]

Family farms struggled as low prices for meat added to the problems caused by high interest rates. Unable to keep up with their loan payments, some farmers protested by dumping dead animals outside local bank branches. Media coverage also featured auctions of equipment owned by farmers who'd gone bankrupt and were forced to abandon their land.

Typical was a situation widely publicized in 1981 when the bank demanded payment of $1 million owed by Marvin Black, a beef farmer near Owen Sound, Ontario. Black had been forced to sell most of his 950 cattle to pay off part of the loan and the bank was now looking to seize his equipment and the farm. Black had bought the 400-acre farm in 1978 from his father, Clarence, who still lived in a house on the land.

Black had taken out the $1 million loan when interest rates were 12 percent and then saw rates climb to 22 percent, a difference that meant additional annual interest payments of $100,000 Black had stayed current on interest payments but had not paid down any principal. At one point, when Black believed bank officials were coming to seize his farm, about thirty supportive neighbours showed up with pitchforks. A court order in July 1981 forced Black into receivership. The bank allowed his seventy-two-year-old father to continue living in his premises. Marvin Black moved to Saskatchewan where he found work.[12]

CIBC's booth at the 1981 Women on the Go conference. FROM LEFT: Elizabeth J. Sideratos, Manager, Eglinton Square; Betty Bud, Consumer Banking; Bess Myerson, former Miss America and consumer advocate; Art Eggleton, Toronto Mayor; Betty M. Glave, Manager, Bloor and Lippincott; and Patricia Nadon, Chargex Centre.

In 1982, a record 410 farmers in Canada went bankrupt, up 60 percent from the year before. Entire industries looked as if they'd disappear. The East Coast fisheries, from fishers to canners, owed banks $400 million. Harrison worried about poor lending practices. "[I]n far too many cases, we seem to have ignored, if not forgotten, the basic principles of prudent banking. Loans were negotiated with insufficient regard to long-standing policies for repayment, pricing, term, security, and other elementary factors. Equally disturbing, the supervisory system, which exists to guard against a breakdown in lending practices, failed to function effectively from the managerial level to the regions and right through to head office," Harrison said in a letter to managers in November 1982. "Virtually all of us have contributed to the problem."[13]

By the end of 1982, interest rates were falling at last. The bank had lowered its prime rate to 14.5 percent, well down from the peak of 22.75 percent in 1981. During the same period, mortgage rates dropped to 12 percent. To further help borrowers, CIBC was the first in Canada to offer a flexible mortgage payment plan that allowed customers to select their preferred payment schedule: monthly, semi-monthly, biweekly, or weekly. The bank also began offering customers a choice between fixed or floating rates.

In order to aid small businesses with their post-recession recovery, the bank held a series of seminars, attended by 1,200 firms across Canada. Other seminars that focused on the concerns of women in business were conducted in six cities. A third series, sponsored by the global treasury division, was attended by 1,500 corporate executives, thus showing the bank's determination to communicate helpful information after such a traumatic time.

The recession further damaged an already burdened Massey Ferguson Ltd., a bank client for decades and Canada's only multinational manufacturing success during that period. The farm implement company, begun in 1847 as a local family business, started selling abroad in the 1880s. As the twentieth century dawned, almost half the company's sales were outside Canada. By the 1920s, the firm had acquired or built assembly operations in the U.S., France, and Germany to produce tractors and combines. A 1953 merger with Harry Ferguson Ltd., of Coventry, England, created Massey-Harris-Ferguson Ltd., changed in 1958 to Massey Ferguson Ltd., the corporate name familiar in the modern era. A corporate reorganization in 1942 brought in new Toronto-based shareholders, E.P. Taylor and W.E. Phillips. By 1948, the two men controlled Massey through their holding company, Argus Corp.

In 1966, Massey had 46,000 employees and close to $1 billion in sales. Massey products in the company's distinctive ruby-red colour included tractors, combines, engines, swathers, plows, mowers, and balers. Internationally, the company had a 20 percent share of the global market in competition with firms such as Ford, International Harvester, and John Deere. In Canada, the Massey family was synonymous with wealth and achievement. When Vincent Massey,

who was president of the company in the 1920s, was named governor general of Canada in 1952, B.K. Sandwell, retired editor of *Saturday Night*, wrote, "Toronto has no social classes / only the Masseys and the masses."

In 1978, Conrad Black acquired Argus, became chairman of Massey, and hired Victor Rice to run the company. "As a member of the board of directors of the largest lender of all, the Canadian Imperial Bank of Commerce, Black had been advised by the bank's chairman, Russell Harrison, that Massey's debt situation was deteriorating. So he had plenty of awareness of the problem," wrote Peter Cook in his book, *Massey at the Brink*.[14] The entire agricultural equipment business was suffering. Few farmers were in a position to buy a new combine. Massey began laying off workers at its plants in Toronto; Brantford, Ontario; Detroit, Michigan; and Des Moines, Iowa.

In January and February 1981, Rice was able to negotiate a $715 million refinancing program with lenders that allowed the company to pay for downsizing, reduce interest costs, and provide new equity capital injections. Massey's 250 worldwide lenders forgave $230 million in loans through interest waivers and the acquisition of its shares, resulting in cash savings to the company of $520 million. Governments helped with a $200 million preferred share issue guaranteed by Ottawa ($125 million) and the government of Ontario ($75 million). There was also a $150 million convertible preferred share issue arranged with CIBC and an $87 million convertible preferred share issue guaranteed by the British Export Credits Guarantee Department, which was also arranged with CIBC.[15]

Unlike Chrysler Corp. and its Canadian subsidiary, which received government help and returned to profitability in the 1980s, Massey continued to flounder. The automotive sector recovered; farm implement sales did not. From 1978 to 1985, worldwide sales for tractors declined 40 percent; combine harvester sales fell 60 percent.

Victor Rice continued to dispose of assets. In 1982 alone, Rice sold Massey's interests in Argentina and a tractor plant in São Paolo, Brazil; closed two parts warehouses in North America; disposed of a factory in Knowsley, England, as

well as a foundry in Eschwege, West Germany. He cut the labour force from 68,000 in 1978 to 29,700 in 1982. Still, by 1983, Massey's losses during the previous five years totalled more than US$1.2 billion.

The bank's final involvement in Massey's demise began in March 1986 when shareholders in Massey Ferguson approved a refinancing plan that eliminated some debt, while lenders converted debt into equity and create a new company, Massey Combines Corp., from the existing foundries and combines divisions. Owners of Massey Combines were Massey Ferguson with 45 percent and Canada Development Investment Corp. at 20 percent. Lenders, including the bank, owned the remaining 35 percent. The plan was to pay down the loans by continuing to sell combine harvesters, tractors, and balers. There was, however, no market. There was a time when Massey Ferguson made 10,000 combine harvesters a year in Brantford, Ontario, but sales in 1987 were only 1,000.

The secured creditors — including the two Canadian banks still involved, CIBC and Royal — filed an application to wind up the company and appoint a receiver. In March 1988, the Supreme Court of Ontario approved the proposal. Massey Combines, the last producer of combine harvesters in Canada, was no more. The final 250 workers were laid off, joining the other 2,100 laid off over the previous two years. In the end, the bank's losses on Massey were relatively small, spread as they were over so many years. The amount of time and effort involved, however, was beyond calculation.

Harrison remained undaunted. "The message is surely that we should move forward prudently and realistically . . . (it is) not a time to stop doing business," Harrison told shareholders at the annual meeting in January 1983. "Nor is it a time to walk away from long and valued customers who may be struggling with temporary problems." Even so, he said, the bank will "not do business merely for the sake of it, without sufficient regard to its relevance, its quality, its security and its profitability."[16]

Loans with another iconic Canadian company, Dome Petroleum Ltd., were about to cause even more losses. After the annual meeting in January 1981, Harrison met with the media who grilled him relentlessly about Massey Ferguson.

Frustrated by the number of questions, Harrison finally said, "Massey Ferguson is fuck all; wait till you see Dome Petroleum." No member of the media asked a follow-up question. "They just continued on hounding him about Massey Ferguson," said Paul Cantor, vice-president of the bank's taxation division, who was in the room at the time. "I couldn't believe that he said it, and I couldn't believe that it wasn't picked up."[17]

But Harrison was right. The bank's $1.6 billion in loans to Dome Petroleum was a far riskier situation. If Dome went under, the bank might go down, too.

7

Under the Dome

For all the ongoing angst caused by Massey Ferguson, the bank's bigger predicament was its loans to Dome Petroleum and the tight boardroom connections that existed with the problematic company. When Page Wadsworth formed the international advisory council in 1975, Jack Gallagher, Dome's chairman and chief executive officer, was one of only two Canadian members. By 1979, Gallagher had moved to CIBC's main board. There he joined M.E. Jones, a senior partner at Calgary law firm Bennett Jones, who in addition to being on the bank board was also a Dome director.

In those days, everybody admired "Smilin' Jack" as Gallagher was universally known. He greeted everyone with a two-handed clasp and then proceeded to spin his gossamer tales about the future of energy as only he could foresee it. "He was a real charmer," said Darcy McKeough, a former Treasurer of Ontario and a fellow bank director. "The guy certainly had a great vision for what the Canadian oil industry needed, but he got overextended."[1]

In addition to Dome, the bank had many other energy clients, such as Alsands, Shell Canada's tar sands development, and Foothills Pipe Lines (Yukon) Ltd., which was responsible for construction of the Canadian section of the Alaska Natural Gas Transportation System. In 1980, the bank elevated its oil and gas department, created in Calgary in 1950, to become the oil and gas division, the first head office division outside Toronto.

With its commanding position in the energy sector, the bank was lead manager on the $1 billion financing for the first phase of Northern Border Pipeline Co.'s 1,325 kilometre pipeline that began operations in 1982 from Monchy, Saskatchewan, to Ventura, Iowa. The bank retained 14 percent of the financing with the rest of the funds coming from twenty-seven Canadian and American institutions.[2] "It went off very well, we got all of our money back," said Frank Duncanson, who then headed the oil and gas division as senior vice-president. "Alberta was booming at the time."[3]

Gallagher launched Dome in 1950 with an office, a secretary, and $1,100 worth of equipment. As time passed, Gallagher and his president, Bill Richards, were able to convince governments and bankers alike that Dome would be a great Canadian success story so long as tax concessions and loans flowed freely. Dome soon acquired the oil and gas properties of Kaiser Resources Ltd., controlled most of the frontier drilling activity in the Beaufort Sea, owned 49 percent of TransCanada PipeLines Ltd., and operated the largest natural gas liquids system in North America.

Dome's growth was accelerated by the federal government's National Energy Program (NEP). Announced in October 1980, the NEP was meant to increase Canadian self-sufficiency in oil and gas, promote Canadian ownership, and

enhance government revenue. Dome became a major recipient of the government's incentives through NEP. "We saw [Dome] as a potential Canadian champion, but did we ever sit down and communicate that with them? No," said Marshall (Mickey) Cohen, assistant deputy minister of Energy, Mines, and Resources (EMR) at the time. "As it unfolded, Dome was obviously the biggest of the Canadians, was going to be the biggest beneficiary, and we were happy about that."[4]

In a speech delivered to the Toronto Board of Trade in January 1981, Gallagher optimistically declared that Canada could be self-sufficient in oil by 1990. Gallagher praised the NEP's objective of 50 percent Canadian ownership of oil and gas production by 1990. The price of oil was not as important as security of supply, he said. According to Gallagher, Canada had more proven and potential conventional reserves than the proven conventional reserves in the Middle East — 378 billion barrels to 370 billion barrels — but developing this Canadian bonanza would be expensive. He predicted the energy sector would spend at least $250 billion.

With NEP putting wind in Dome's sails, in June 1981, Dome paid US$1.6 billion to Conoco Inc. for its 53 percent control position of Hudson's Bay Oil and Gas Co., known as HBOG (pronounced H-bog). On a Friday, Gallagher phoned the CEOs of four Canadian banks — CIBC, Royal, TD, and Bank of Montreal — and by Monday, they'd all agreed to pitch in together and lend him the full amount.

The timing couldn't have been worse. In August, interest rates peaked, with prime at 22.75 percent. At those rates, Dome was paying $1 million a day in interest just to service its new debt.[5] But Dome wanted to own 100 percent of HBOG in order to receive a tax deduction for all the interest paid on the loans. The Canadian banks refused to lend any more funds for the other 47 percent of HBOG, so Dome borrowed US$1.8 billion from a new source — a twenty-nine-member syndicate of U.S. and foreign banks led by Citibank.

After months of negotiations, the second half of the HBOG deal was finally concluded in March 1982. Dome was now the largest Canadian energy company. But markets and moods had worsened; the recession was at its nadir. Oil prices had fallen from $40 barrel in 1980 to $30 and were heading lower. There were

no buyers for those unwanted portions of HBOG that Dome had planned to sell in order to reduce its debt of $7 billion. The biggest lender was CIBC at $1.6 billion. Despite the already extensive borrowing, Dome claimed it needed another $800 million to meet payroll and other operational expenses over the next four months. The Canadian banks refused; Dome appealed to Ottawa for help. "If the government fails to participate for any reason, the [Dome] group could be in serious jeopardy by as early as midsummer," Don Fullerton told CIBC's board of directors on May 6. "If the company went into liquidation, it is likely that significant losses would be sustained by all lenders. Apart from a miraculous economic turnaround, Dome Petroleum needs government assistance and needs it within the next month or so."[6]

On May 11, Russ Harrison delivered that same blunt message at a meeting in Ottawa with Marc Lalonde, minister of EMR. Ottawa wasn't worried about the banks so much as the disastrous economic impact of a Dome collapse. "It wasn't just Dome, [it was] the whole bloody oil and gas industry," said EMR's Cohen. "Imperial would survive and Shell would survive, but the little guys would all get creamed. So, there was both a worry about Dome and a worry about Alberta's economy."

Ottawa arranged a $100 million loan for Dome that was guaranteed by Crown corporation Petro-Canada. But, in Cohen's view, if Ottawa planned to help Dome to any greater extent, the banks had to be full participants in the solution. In a presentation to the federal cabinet, Cohen said, "I don't think we can solve this thing without putting something on the table. We just can't go down [to Toronto] and say, 'You guys fix it.' They're just going to say, 'It's your fault, you fix it.'" Cabinet gave him a mandate to negotiate with the banks and provide up to $750 million in support to conclude a deal.

Talks between the government and the four banks began in late May 1982 in CIBC's fifty-sixth-floor boardroom. Representing the government were Cohen and his number two Ed Clark.[7] Representing the banks were a group that became known as the senior committee: Don Fullerton; Bill Bateman, executive vice-president of corporate and government banking at Bank of Montreal; TD Vice

Chairman Ted McDowell; and Joe Rogan, Royal Bank executive vice-president. As might be expected, the banks and the government blamed each other for Dome's problems.

Cohen told them he was authorized to commit up to $750 million in the form of debentures or subordinated debentures as long as the banks matched Ottawa's contribution. Cohen said any lesser sum might benefit the banks but place Dome at a minimum survival level. When the banks refused to put up any new money, Cohen turned to Clark and said, "Come on, Ed, we're out of here; there's nothing to do." The pair had almost reached the door when Fullerton called out, "Just a second, Mickey, come on back here. Let's talk." Said Cohen, "That broke the dam. Don was the hero of this story."[8]

Fullerton reviewed Dome's loans with the board on June 7 and outlined Ottawa's offer. The directors agreed negotiations should continue. Throughout, Fullerton was the point man and the voice of the lender banks when they spoke collectively. He took responsibility for organizing the meetings and for moving the agenda along.

Hanging ominously over the discussions was the belief in some circles that the National Energy Program was a weapon wielded by Prime Minister Pierre Trudeau to nationalize not just the energy industry but a Canadian bank as well. "Trudeau, if he could take his pick, would like to nab the Bank of Montreal for the state: there has long been no love lost between him and its senior management," declared an editorial in *The Economist*. "But the worried bankers say that Commerce may be more vulnerable financially to a state putsch."[9]

The day-to-day negotiations among the banks to find common ground were handled by a steering committee. CIBC's representative was Paul Farrar, assistant general manager, credit division. "Our exposure was about two-thirds of our capital and retained earnings at the time, about $1.6 billion to $2.4 billion. Dome was a far bigger exposure and a riskier position than O&Y ever was," said Farrar, who was also involved in the Olympia & York workout later that decade.[10]

The other members of the steering committee included Rod Lammers from Bank of Montreal, Mike Randall of Royal Bank, and TD's Blair Slade, with Marvin

Yontef of law firm Stikeman, Elliott acting as counsel to the banks. "The problem was just so big that people became almost catatonic in terms of their ability to either analyze the problem, address the problem, or solve the problem," said Yontef.[11]

The early meetings of the steering committee were spent with each bank setting out exactly what Dome owed, their security on the loan, and other relative strengths. Jack Gallagher, who was not allowed to participate in the talks about his own company, could only cheer from the sidelines. Gallagher sent Fullerton an article about Dome written by historian Michael Bliss that appeared in the July issue of *Saturday Night*. Attached was a note from Gallagher dated June 23, 1982, saying, "Thanks for your help and understanding, and open door, during this difficult period. Sorry that we have created such a problem for you and your bank. I know that with your continued support we will pull through together."[12]

ON JULY 7, 1982, in the midst of these delicate negotiations, Gary Lauk, a New Democratic Party member of the British Columbia legislature, declared that CIBC would be bankrupt by October. His statement sent the bank's share price down $0.50 to $17, a ten-year low. In such circumstances, when full faith in a member of the financial system is challenged, immediate action is required. Bank of Montreal and Royal Bank agreed to backstop CIBC in the event that a "run on the bank" developed if nervous depositors tried to withdraw all their funds.

The bank issued a press release that quoted Harrison as saying, "Mr. Lauk's statements are completely without foundation and reflect a total lack of understanding of the Canadian banking system in general and the position of the Commerce in particular. They reflect a highly irresponsible act by an elected official." Lauk quickly recanted. "I wish to totally withdraw any statement I made to this House regarding the Canadian Imperial Bank of Commerce," he told the legislature. "I wish to unreservedly apologize and advise the House those statements were factually in error."[13]

Harrison wrote to the bank's 32,500 shareholders explaining that historically it "had more than our share of large corporate business . . . as witness the Massey situation, we have sought to stick by our major customers when they have encountered problems."[14] Harrison also said that the bank had invoked a new voluntary policy that would limit any single loan connection to not more than 15 percent of its capital, or about $400 million.[15] This policy was far more conservative than the 50 percent level recommended by William Kennett, the inspector general of banks, in his testimony two months earlier before a House of Commons committee.[16]

As the Dome rescue talks inched closer to a conclusion in September 1982, matters were not helped when Trudeau declared in an interview that the government wouldn't be helping after all. "The banks thought they were going to make a buck and Dome was investing this money because it thought it would make a buck," Trudeau told Toronto radio station CFRB on September 7. "So, a lot of people around the world made a mistake, including our renowned and very responsible banks and you're asking me, Are we going to bail it out? The answer is no, we're not going to bail it out."[17]

In fact, pressure was growing for a deal because $1.2 billion in Dome loans was coming due at the end of the month. By September 15, there was a final draft of the agreement in principle (AIP) ready for approval by all parties. After a few last-minute changes, the AIP was signed on September 29, 1982, in the bank's boardroom by Mickey Cohen for the government and three bank CEOs — Russ Harrison, Bank of Montreal's Bill Mulholland, and TD's Dick Thomson. Signing for Royal Bank was Vice Chairman Bob Utting. Other signatories were Jack Gallagher of Dome Petroleum and Malcolm Taschereau, CEO of Dome Mines Ltd. (Dome Mines signed as it was a major shareholder in Dome Petroleum and had guaranteed a portion of Dome Petroleum's loans.) Present, but not signing, was Jean Chrétien, the newly appointed minister of EMR, following a cabinet shuffle earlier in the month that sent Marc Lalonde to finance. The AIP binder, including definitions and appendices, filled sixty-nine double-spaced pages.[18]

The AIP had three elements. First, and most important for Dome, the banks agreed to extend for at least ten years the term of a substantial portion of Dome's debt. Second, there would be a capital injection of up to $1 billion, half from the federal government and half from the banks, through the purchase of convertible debentures. Third, there was an opportunity for existing shareholders to participate by subscribing for an additional $500 million of similar debentures.

Harrison vigorously supported the deal. "The common shareholders should get down on their knees and thank God that we came to an agreement. If we hadn't done this, their shares would have been worthless now," he said in an interview with Paul Taylor of the *Globe and Mail*. According to Harrison, the company was essentially bankrupt before the deal. "At that stage, I suppose the value of the shares would have been close to zero," he said, adding that the "shares were worth something only after the banks and the Government came to the rescue. The shareholders would have to be out of their minds not to go along with it. Their only hope rests with us [Ottawa and the banks] controlling the company."[19]

Harrison continued in a similar vein. "It would have been the biggest bankruptcy in the history of the world. A Canadian company with $7 billion in debt goes bankrupt — with every major bank in the world involved. I shudder to think of it," he said. "Do you realize what that would have done to Canada? The credit of the Canadian banking system — and the Canadian government itself — would have been in question."

An editorial in the *Globe and Mail* said that more than Dome had been bailed out: "In fact, Dome's shareholders should be joined on their knees by the shareholders of certain banks, including the one that employs Mr. Harrison. Few homeowners who lose their homes because they cannot keep up the mortgage will be so kindly treated."[20]

In the end, however, the agreement in principle — so hard fought in the creation and defended in the extreme — was never implemented. Stability had been achieved without Ottawa or the banks injecting funds through warrants or any other means. "I don't think the AIP ever had much of a chance of being

implemented," said Yontef, counsel to the banks. "But it did buy everyone a safety net standstill, which was the primary objective." The U.S. banks and other foreign lenders were convinced by the Canadian banks to honour the standstill, even though they were not parties to the AIP.

Jean Chrétien later complained that Canadian bankers were nothing but hypocrites. On the one hand, they wanted governments to leave them alone by staying out of their affairs. On the other hand, they were more than eager to accept government help when the economy tanked and corporations became overextended. "Rescuing Dome was one of the last things I wanted to do," said Chretien, who had been energy minister during the final two weeks of negotiations prior to the signing of the AIP. "In the end, I negotiated a deal with the banks and Dome; it saved them and didn't cost the government a dime. We bailed out the banks, in effect, but they never gave us much credit for that," wrote Chrétien in his memoir, *Straight from the Heart*, published in 1995.

Loan losses because of Dome and other poor performers for the eight largest chartered banks in Canada exceeded $2 billion in 1982. CIBC's loan loss was $488 million, almost triple the previous year. During those same tough times, gross national product fell 5 percent, unemployment at 13 percent was the highest since the 1930s, corporate profits were down 45 percent, and demand for new homes plunged to the lowest levels in almost twenty years.[21]

Despite such downdrafts, total profits at the eight banks in 1982 were $1.2 billion. CIBC's profit was $281 million, the second best in the bank's history after 1981's $320 million. "I suppose I could say we — the Canadian banks — went through fire. But when the smoke all cleared, we didn't do too badly," said Harrison. "If there was one thing that concerned me, it was having too many eggs in one basket."[22]

WHILE DOME WAS CAPTURING THE HEADLINES, the bank was working to create a client-focused culture that would prosper through good times and bad. Fullerton's thinking was that the branch network in Canada could cut costs by uprooting the long-standing belief that every branch must deliver all financial services. A

detailed review led to a decision to have more specialization in centrally located branches while maintaining full-service branches where warranted.

Among those creating new commercial banking centres was Joe Bazarkewich who joined CIBC in Saskatoon in 1965, spent two years in several branches in Saskatchewan, and then worked for two years in the audit department travelling in Ontario and the Caribbean. By 1977, Bazarkewich was in Toronto as an assistant manager and later senior assistant manager at Yonge and Bloor; in 1981, he was named branch manager at Queen and Bathurst. In 1983, he met with his bosses, Ross Brady and Ian Irving, and told them that even with a major renovation, the branch would have limited room for additional staff. Moreover, the neighbourhood offered poor prospects for expanding the commercial loan portfolio, particularly given the slow growth during the recession.

In response, Bazarkewich and his four account managers moved to an office on the eighth floor above the branch at Bloor and Avenue Road, taking with him 130 commercial borrowing accounts that were to be his focus. "We didn't lose anybody," said Bazarkewich. "We kept every one of the accounts."[23] In 1984, with the increasing focus on differentiating the branches, the group moved to 12,000 square feet of rented space at Yonge and Bloor in what became the Yonge-Bloor-Bay Commercial Banking Centre with Bazarkewich as manager. By the fall of 1985, there were fifteen account managers, three general managers, and a deputy overseeing loans totalling $1.3 billion in 1,000 commercial accounts that had previously been split up among about fifty branches in downtown Toronto.

Of the 1,000 accounts transferred to the centre, fewer than ten clients did not like the new arrangements and went elsewhere. "It was a very exciting time and a lot of work, just to try and get the centre operating," said Bazarkewich, who was made a vice-president in 1986 with two additional commercial banking centres added to his responsibilities.

Bazarkewich helped establish commercial banking centres across Canada by sharing his experiences, methods, and manuals. Such collaborative leadership functioned well in building relationships with clients while at the same time allowing CIBC to segment the marketplace. Individual lending officers

thrived in the market-driven atmosphere. Said Bazarkewich, "You really had an opportunity in this type of environment to grow with your accounts and take on additional responsibilities."

Branch banking hours were also changing. Weekday hours began to lengthen and Saturday openings were commonplace. "We are becoming a retailer of services, and innovations — such as Saturday banking — are a part of that," said Warren Howard, assistant general manager, distribution network for the individual bank's marketing division.[24]

WHILE THE NEW COMMERCIAL BANKING arrangements and longer hours helped thousands of business clients, Dome continued to struggle. After the departures of Jack Gallagher and Bill Richards, the new CEO of Dome Petroleum was Howard Macdonald, former London-based treasurer of Royal Dutch Shell Group. Macdonald sold off assets, cut costs, raised money through a share issue, and further extended repayment schedules with lenders. Macdonald's efforts prolonged the life of Dome but did little to improve the bottom line.

The global situation hindered his efforts. In fall 1986, world oil prices were in a range of US$9–16 a barrel, down from US$28 a barrel a year earlier; 11,000 of Alberta's 30,000 oil rig servicing workers had lost their jobs, and drilling activity was at a standstill.[25] Two Alberta-based banks, Canadian Commercial Bank and Northland Bank, failed in 1985, thus demonstrating the difficult lending circumstances in that province. In 1986, Dome lost $2.2 billion; its debt remained high at $6 billion. "Dome's largest lender, Canadian Imperial Bank of Commerce, is expected to sustain the greatest losses," reported the *Wall Street Journal*. "The bank said it intended to classify all its Dome loans as problem loans, because it expects to lose some interest and principal."[26]

By 1987, Dome was bankrupt; its liabilities were two times greater than its assets. In a deal that closed in 1988, Dome was acquired by Amoco Corp. of Chicago for $5.5 billion, making its wholly owned subsidiary, Amoco Canada Petroleum Co. Ltd., the country's largest oil and gas firm. The deal meant that

Don Fullerton, a long-time director of Amoco Canada, was involved in bringing to a satisfactory financial conclusion the 1982 rescue arrangements in which he had played such a key role. As a result of the acquisition, the Canadian banks recovered about 95 cents on the dollar on their secured Dome Petroleum loans. Ultimately, CIBC lost less than $100 million.

Russ Harrison, however, did not avoid a reckoning. Poor employee morale, a slew of departing executives, and troubled loans such as Massey and Dome created a restive atmosphere among CIBC's board of directors that brought an end to Harrison's stewardship earlier than he would have liked.

8

Changing the Guard

At the board meeting in December 1983, Russ Harrison made his customary opening remarks about the state of the world as he saw it, then turned to the next agenda item, a report from Don Fullerton. Instead of giving his usual update on bank operations, Fullerton delivered a polished ten-minute performance that cited problems with Harrison's leadership: low morale, the departures of three senior officers, and poor loan performance. During the five years, from 1979 to 1983, annual loan loss experience rose from $99 million to $722 million. Non-performing loans ballooned from $186 million in 1979 to $1.9 billion in 1983.[1]

With Harrison's approval, Fullerton and a four-member group had spent the previous year devising a new strategy for the bank that focused on three specific activities. First, create an organizational structure that shared the burden of day-to-day management across five major areas. Second, push forward aggressively in the areas of specialization and functionalization. Third, limit retail banking activities to Canada and the Caribbean.[2] In all, the year-long study provided comment and direction on more than two dozen areas of the bank, including organization, divisional structure, new or revised support services, and its changing role in the financial service sector.[3]

Fullerton made it clear in his comments that Harrison should not be part of the renewal process going forward. Instead, Fullerton said he would take charge and implement the action plan himself. Fullerton told directors that he would establish within five years a board committee to draw up a list of possible CEO candidates to succeed him. Fullerton also promised that he would step down within seven to ten years. "My reasoning was straightforward. I believed that every generation brings renewed energy and fresh ideas to an organization which strengthen the fibre of the organization," said Fullerton, who was ten years younger than Harrison. "To bypass a generation, in my opinion, is a missed opportunity and should not be contemplated unless there are very unusual circumstances, like a depression or a war."[4]

Such an undertaking must have been welcome to those directors who had been on the board during the McKinnon era and were unhappy about how long he had stayed. At last, here was a potential CEO making a commitment to leave gracefully after a specified period of time without requiring a boardroom upheaval. Fullerton concluded his remarks by saying that he had complained about Harrison's leadership three years earlier, at which time he'd backed off, but this time he wasn't going to cave. Harrison quickly took the temperature of the boardroom and realized that Fullerton had widespread support. Offering no argument, Harrison agreed to a speedy transition.

IN A MEMO DATED JUNE 9, 2008, written for deposit in the bank's archives, Don Fullerton described the three CEOs who preceded him with the kind of clarity that can only come after much time has passed. "The 1970s reflected a rather volatile period in the bank's history," wrote Fullerton, noting that Neil McKinnon had been replaced by Page Wadsworth "for a relatively short period of three years, principally to settle the organization down." Fullerton continued, saying, the "McKinnon era was distinguished by his authoritarian style, which at the time was not unusual in either banking or industry. Mr. Wadsworth was much more relaxed with better human resource skills. Mr. Harrison had a strictly authoritarian style but in an era when management styles in Canada were beginning to change."

Throughout, the directors were an active force. "No history of the bank would be complete without at least a modest understanding of why Mr. McKinnon and Mr. Harrison each stepped down early from their positions with the encouragement of the board of directors," wrote Fullerton. "While the board had many reasons to take pre-emptive action, none appear to be more compelling than the impact on these two officers as reflected in the attached report."[5]

The report he referred to was written by Hay & Associates, a human resources consulting firm. Submitted in March 1977, the report was based on a detailed questionnaire completed by 4,823 bank employees across Canada and around the world. The findings described CIBC's management style as "restrictive, closed, non-involving, militaristic, guarded communication, and non-supportive." The report said the bank suffered from "minimal interunit cooperation, alienation of functional groups, ambiguous head office role."

The report's three main recommendations were to formulate a mission and corporate objectives; integrate head office, regional, and branch operations; and substantially improve staff effectiveness. "Members of bank management have a thirst for leadership, not of the high profile, authoritarian style, but rather the participative, open, and delegative style," said the report. "In an era when all institutions are under attack, members of management want to work for an organization that gives them a dignity and positive self-image."

IN HIS SPEECH TO SHAREHOLDERS at the annual meeting on January 18, 1984, Harrison explained the rationale for the management change that was about to occur at the top. "We have been taking a very hard look at our bank . . . at where we stand now . . . and at where we want to stand in the future." At sixty-two and stepping down sooner than he'd intended, Harrison gamely embraced the study that had brought about his demise. "It has been probably the most comprehensive and thoughtful strategic planning exercise we have had for many years. I am genuinely indebted to my colleague, Don Fullerton, for the leadership he has given to this process. If I can reduce to a few sentences work that filled literally hundreds of hours and pages, I think I can summarize our essential finding this way. As a bank, we are pretty good at doing business . . . at gaining and holding our share and more of most of the major markets in which we compete. Our problem is that it is simply costing us too much to do that business . . . the basic costs of our plant and operations as currently structured are just too high . . . and our productivity is too low for the amount of business we are doing."[6]

Harrison pointed out that the bank had reduced the number of employees by 3,000 during the previous two years, largely by attrition, to 33,525 worldwide, about the same level as in 1976. A number of branches had been closed, lowering the total from 1,832 in 1978 to 1,640 in 1983. "Like all other large institutions, we had become a bit fat. We are now a leaner bank and better for it. But shedding a few pounds of administrative overweight is only a start; now we must look for productivity gains by adjusting what we do and how we do it to better reflect the realities of our business in the 1980s."

The official announcement that Fullerton would replace Harrison as president and CEO was made in May 1984. Harrison continued to hold the title of chairman. Despite problems with the loan portfolio, during Harrison's years in office, assets grew from $26 billion to $68 billion. Total profits (balance of revenue after taxes) during the period were $2.1 billion, a number that included a record year in 1981 of $320 million as well as another healthy year in 1983, when profits were $315 million.

At the next annual meeting in January 1985, Harrison told shareholders that he was retiring as chairman. At the farewell dinner for Harrison, Executive Vice-President Paul Cantor felt the human side of Harrison had been missing from the evening's speeches, so he rose in his place at one of the tables and told the attendees about a meeting he'd once had with Harrison. As a member of a Canadian Bankers Association committee, Cantor had been asked to secure Harrison's help as CEO in convincing Ottawa about the merits of an industry-sponsored tax proposal. According to Cantor's recollection, after hearing the details, Harrison's first comment was "This won't do anything for the little guy."

Cantor was initially surprised by Harrison's concern for the ordinary person but later came to a new appreciation of Harrison that he shared with the gathering that evening. "Harrison never felt comfortable with the big corporate clients, never really associated himself with them. Really, he had this sense of common feeling with the little guy," Cantor recalled in an interview. "Everybody loved it because it sort of took the tension away without dealing with any of the issues that Fullerton wanted to avoid."[7]

After nearly twenty years in retirement, Russell Edward Harrison died on January 4, 2014. He was ninety-two. He was buried wearing the maroon blazer of the 1st Canadian Parachute Battalion, a proud warrior to the end. Paul Leger, who had joined the bank in 1950 and held senior positions in Quebec and Ontario, was among the hundreds of employees who wrote personal remembrances that were posted online. "Working with Mr. Harrison was an experience like no other. Words like demanding, fair, loyal, caring, sincere, and compassionate certainly ring true with me. He was adept at empowering people, which went a long way in boosting one's confidence and self-esteem," said Leger. "He kept close tabs on all his flock, both during and long after his retirement from the bank."[8]

WHEN FULLERTON TOOK OVER as president and CEO in May 1984, the bank's results rested on rock bottom. "Its return on equity is less than 9 percent, the lowest of the major Canadian banks and below what depositors receive at the bank

for riskless term deposits," wrote Martin Mittelstaedt in the *Globe and Mail* in July. "At a recent $23.62, the stock price is a staggering 46 percent under book value, the largest discount of the publicly traded Canadian banks."[9]

As Fullerton prepared to set in motion a strategy of internal reinvigoration, CIBC was also coming under increasing external pressure. Competition was about to expand beyond domestic peers such as banks, insurance firms, trust companies, credit unions, caisses populaires, and co-ops of various types. The 1980 revision of the Bank Act had opened up Canada to foreign banks, and it took only six years for fifty-six foreign banks with total assets of $27.6 billion to become established in Canada.

Some foreign banks had for years been operating as "suitcase bankers" from hotel rooms in Canada, chasing after corporate loans. "While increased competition is generally seen as a positive, there are some limits. Like inflation, a danger is in too many banks chasing too few customers," said Fullerton in a speech delivered in Zurich, Switzerland. "Increased competition cannot and must not be achieved without regard for good management and for what the system can tolerate. Otherwise, it will do little more than produce merger candidates."[10]

Most of the foreign banks chose to locate in Toronto, which had become the locus of banking in Canada. The head offices of CIBC and TD had always been there. The Bank of Nova Scotia's head office was in Halifax, but operations had been centred in Toronto for decades. Although Royal and Bank of Montreal were officially headquartered in Montreal, by the early 1980s, their top executives spent much of their week in Toronto. "It would be difficult to think of an industry in Canada that has more major institutions competing than Canada's banking system," said Fullerton.[11]

IN 1961, CIBC HAD BEEN the largest bank in Canada measured by assets; over the years, it had fallen to second place with Royal Bank in first. In 1984, Bank of Montreal (BMO) acquired Harris Bankcorp of Chicago for US$547 million, the first major cross border expansion by any Canadian bank. In so doing, BMO took

over second place, bumping CIBC down to third. BMO's purchase, however, did not alter Fullerton's wary attitude toward retail banking in the United States. Fullerton was well aware that if you bought a bank in the U.S., where banks were regulated by the individual states, all you gained was access to the state where your acquisition was located and maybe a neighbouring state or two. And what if, in response to such an invasion, the U.S. banks demanded reciprocity to operate in Canada? With their size, he worried that they could easily overpower Canadian banks.[12]

Fullerton viewed California Canadian Bank, descended from the San Francisco branch of the Bank of British Columbia established in 1864 (acquired by the Bank of Commerce in 1901) as little more than a money-losing bother. Costs were high due to the requirement of a separate board of directors and management structure as well as onerous U.S. compliance rules. In 1979, the California operation had assets of US$593 million and 632 employees, too small to compete with heavyweights such as Wells Fargo and Bank of America. Most of the retail branches of the California Canadian Bank were sold — thirteen in 1982 and eleven in 1985 — leaving just two commercial branches, one each in Los Angeles and San Francisco. By 1990, they, too, had been closed as were the last two branches in Portland, Oregon, and Seattle, Washington, also left over from the days of the Bank of British Columbia.

As the newly appointed CEO, Fullerton acted quickly to update and upgrade the bank at home and abroad. A computerized farm credit analysis system became fully operational in 1986, thereby making decisions on farm credit at the local level faster and more accurate. Internationally, in 1985, the bank successfully syndicated a US$300 million facility for a leveraged buyout of Scovill Ltd.; led its first U.S. Euronote issue for Ingersoll Rand totalling US$200 million; and established banking and trust subsidiaries in Guernsey, which provided a European location for offshore trust services previously offered by the parent bank in the Bahamas and Cayman Islands and its representative office in Hong Kong.

Expansion in China was particularly robust. The bank established a correspondent banking relationship with Industrial and Commercial Bank of China

(ICBC), making it the first chartered bank in Canada to sign such an agreement with the largest financial institution in People's Republic of China (PRC). In 1986, CIBC became a financial advisor to China's state-owned petrochemical company, SINOPEC. Other CIBC-financed projects in PRC included a science and trade exhibition centre, an amusement park, a brewery, a resort complex, a residential tower, and the Jing An Hotel in Shanghai, as part of a syndicated US$85 million loan.

TO ACHIEVE REAL CHANGE, the bank's culture needed to be made more cohesive. CIBC held a minority interest in United Dominions Corporation (Canada) Ltd. — a subsidiary of a British firm which was doing first and second mortgages, some consumer lending, and conditional sales contracts of construction equipment in fifteen offices across Canada — when Ron Ashenhurst started with the firm in London, Ontario, in 1969. In 1977, the bank acquired the balance of the shares of United Dominions, in which it had previously held 49 percent. In 1982, United Dominions was folded into the bank, and Ashenhurst moved to the bank's offices at 750 Lawrence Avenue in North York, Ontario. Ashenhurst oversaw the runoff of the United Dominions portfolio, a role that included marketing about $3.5 million worth of construction equipment and plant machinery that had been repossessed during the recession.

Alex Thompson, the former CEO of United Dominions, knew everyone's name. At CIBC, the corporate culture was quite different. "You had to wear a jacket and tie all the time at your desk and in the building," said Ashenhurst. "Things were very regimented and almost military. It was more than a bit of a culture shock." Many former United Dominions employees departed, and Ashenhurst looked for another job, too, but he decided to stay. "The best decision I didn't make was to leave."[13]

Ashenhurst went on to work in several departments, including personal loans and the automotive finance arm. "Once they put me in charge of collections, I was able to step out of the box a little bit and we did pretty well," he said. "We tried little things like Secret Santa at Christmas. I dressed up on Halloween and so did some of the other supervisors. We had some fun with it,

tried to lighten things up, make it a more collaborative and interesting place to work." Along with the fun, more attention was paid to documenting individual effort and, as a result, overall performance improved. Said Ashenhurst, "I tried to change the culture a little bit to something more collaborative, more informal, like what I was used to at United Dominions."

A bank-wide culture change could only come about through a similar collegial approach across all levels. "We decided that the bank couldn't be run from the chairman's office," said Fullerton. "We had to attract top people, we had to specialize and functionalize the bank, and we decided to differentiate retail services from the others. We went to the board, appointed the managers, and developed the implementation strategy."[14]

Fullerton also sought to learn from what he saw as the failings of previous regimes. "We haven't been the best communicators for many years," Fullerton told Bernard Simon of the *Financial Times* in 1984. Fullerton said that the bank's managers were beginning to feel more confident. "They're going back into a more normal banker position with their clients, not forgetting the lessons of the past, but moving ahead in a very productive way."[15] Bank analyst Hugh Brown, of investment banking firm Burns Fry, remained dubious. While Brown said that the bank had improved in recent years "from a Model T Ford to a new-model Ford, it's a big jump to a Cadillac bank."[16]

In addition to the study by Hay & Associates that had surveyed employees, two other studies conducted by the bank confirmed that there was much to do. A Decima Research study completed in August 1984, using focus groups of chief financial officers, found the "image of the CIBC . . . relatively negative" compared with the other banks. CIBC was also seen as "having poorer management, having more of a history of unwise lending decisions, and not as responsive to changing economic decisions," said the report. "A positive change in this image will therefore not be accomplished overnight and must be accomplished at all levels of the bank's hierarchy."[17]

A more broadly based study of the branches done in 1985 by Burroughs Canada was equally woeful. In those pre-Internet times, the study found there

was no effective communications mechanism for consistently informing and obtaining feedback from employees; there was no clear identification of the information needed by branches to function; there were too many services and products to market effectively; and there was a low level of knowledge in the branches to determine customer needs so they could be matched with services.[18]

AN INFLUX OF TALENT WOULD HELP. Coincident with Fullerton's rise, the bank was becoming more imaginative about recruitment. Marc Bousquet's 1982 undergraduate degree from McGill University in political science was not what CIBC recruiters might normally be attracted to on a CV, but along with his scholarly pursuits, Bousquet had solid entrepreneurial experience. For eight years, he'd worked summers and weekends in his mother's store in Saint-Bruno, Quebec, helping with customers and doing the bookkeeping.

Out of 600 applicants, forty-five were interviewed, and only ten hired, including Bousquet, as officers-in-training. At first, he had difficulty balancing his cash as a teller. "After a month, all of a sudden there was a click in the brain and then I balanced my cash," he said. Soon after, he was named assistant accountant, then worked as an accountant in three different branches in Montreal.[19]

Hardly had he been hired, trained, and posted when in 1985 he was asked to join the training centre in Place Sherbrooke, where there was a mock-up branch that used real money. "Now I had to be pretty good at balancing cash. I was showing them how to do it," said Bousquet. He also taught computer proficiency and leadership skills.

As senior consultant, branch operations, Bousquet coordinated special projects such as branch renovations, openings, and closings. In 1993, CIBC transferred two of its branches in Quebec — Jonquière and Mont-Laurier — to Laurentian Bank, the first such deal in modern times. With all operational targets met, Bousquet was awarded the bank's Extraordinary Creativity Prize.

In 1994, Bousquet was named a learning/career consultant at what was by then called the Employee Development Centre (EDC). The bank encouraged staff

to expand their talents and create resumés so they could bring about progress in their career within CIBC or, if their roles became redundant, outside the bank. "Our aim was to help them find another role within CIBC and, if that failed, then we would help them out of the organization with as much support and dignity as possible," he said.

Not even the EDC was exempt from change. Out of a team of nine employees based in Montreal and Halifax, only two training roles were retained after a 1999 bank-wide reorganization. Most of Bousquet's department found work elsewhere in the bank. "It was a difficult time for me and my team; however, executive decisions had been made, and as a leader, I had to support them," said Bousquet. He became a resourcing consultant for Imperial Service and small business in Quebec and then a human resources director in 2005. "Training is very important, and CIBC today has gone back to doing a lot more computerized-based training, a lot more self-studies." Bousquet retired in 2016.

FROM THE BEGINNING OF HIS TENURE, Fullerton was under intense pressure from the board to improve the standing of the bank. Fullerton responded by drastically altering the very basis of the planning process. In the past, planning had been done from the bottom up and was "predicated on the assumption that past organizational structures, branch configuration, and general operating procedures would evolve with changes in the marketplace. In essence, the underlying strategy was 'more of the same,'" said Fullerton. Instead, Fullerton decided he would use "top-down guidance" to develop a strategic planning process that would lead rather than follow the market. "The objective was to have the most senior management talent focus on the core strategies of the bank at the outset of the planning cycle."[20]

In keeping with the fresh face of the new regime, Fullerton set an entirely different tone for his time at the top and that began with the 1985 shareholders' meeting when he added the title of chairman to his roles as president and CEO. Whereas Harrison had previously dominated those annual gatherings, on this

occasion Fullerton introduced a video showing half a dozen senior executives. Don Fullerton had every intention to lead the bank into the future, but he was also willing to share both the limelight and the decision-making in a way that no other CIBC CEO had before.

9

Full Speed Ahead

When Don Fullerton became CEO, he encouraged all employees to upgrade their professional skills by taking courses run by the bank and the Institute of Canadian Bankers (ICB), which had been founded in 1967 under the auspices of the Canadian Bankers Association. Curricula included communications, business administration, accounting, economics, marketing, and law. During his 1973–76 term as chief general manager of CIBC, Fullerton had also served as chairman of ICB. From 1967 to 1979, more than 500 bank employees received their fellows' diploma.[1] CIBC paid the costs for courses and awarded bonuses for achieving the various levels. In 1981, when eleven medals were given by CIBC to the top students across Canada, four were CIBC employees. By 1987, 2,200 employees worldwide were enrolled in 3,264 ICB courses.[2]

In 1986, CIBC launched a new corporate identity program that included a modification of its chevron logo and standardized the colours to be used in all branches and offices. The bank's chevron logo — which was introduced in 1966 — was meant to symbolize strength and progress. The new logo incorporated this symbol in a design that added the acronym "CIBC" to better identify the bank globally. In Quebec, the logo's design used "CIBC" in conjunction with the bank's full French legal name, Banque Canadienne Impériale de Commerce. "We need only look at IBM or GM to see that acronyms work and work well, particularly for a large international corporation," said Steve Lenard, senior vice-president, marketing. A new colour, claret, replaced the previous burgundy that had suffered from inconsistent reproduction on the 7,000 CIBC items in global use — from ballpoint pens to branch signage. Said Lenard, "Both the claret and gold can now be easily produced anywhere in the world."[3]

As part of the new corporate identity campaign, charitable donations and community involvement were more prominently featured as a means of demonstrating CIBC's socially responsible activities. A fifteen-minute film, entitled *Beyond Dollars*, was shown at the annual meeting in January 1986 to highlight the bank's ongoing philanthropy. Over the previous twenty years, CIBC had donated $40 million in support of theatres, universities, orchestras, and hospitals as well as diverse organizations such as Saskatchewan's 4-H program for young farmers; the Famous People Players, a special-needs troupe, in Toronto; and a chuckwagon for the races at the Calgary Stampede. In addition, CIBC sponsored sports teams and events including the Manitoba Marathon in 1988, the women's national alpine ski team as it prepared for the 1988 Olympics, and the Grand Jumping Prix at the Regina Horse Show in 1989.

The Bioengineering Institute at the University of New Brunswick was given $660,000 over an eight-year period to conduct research which led to the development of the world's first myoelectric control system for very young children who were missing an arm or a leg. CIBC first became involved in the project in 1979, the International Year of the Child, and until its completion in 1987 remained the sole private sector sponsor of this vital system, which harnessed

The women's alpine ski team, 1988. BACK ROW, FROM LEFT: Back row: Josée Lacasse, Michelle McKendry, Liisa Savijarvi, Laurie Graham, Kerrin Lee, Nancy Gee and Andréa Bédard. FRONT ROW, FROM LEFT: Karen Stemmle, Lucie Laroche, Kendra Kobelka, Karen Percy and Kellie Casey.

the body's own nerve impulses to control an artificial limb. It was made available to more than 300 patients in Canada and the United States.

CIBC was continually among the largest donors in Canada to the United Way. In 1985, for example, the bank and its employees donated more than $1.5 million to United Way campaigns in thirty-six communities across Canada. In Toronto, its $400,000 donation was the largest single corporate donation to any United Way agency in Canada, an amount that was matched by Toronto area employees. By 1992, the amount raised by the bank for the United Way of Greater Toronto had risen to $2,172,799. It was the fifth year in a row that CIBC had contributed more than $1 million.

President Donald Fullerton presents a cheque to Gordon Cressy, President of the United Way of Greater Toronto, as a donation to the United Way in 1985.

Other groups also benefitted. In 1988, the bank donated $5.3 million to more than 400 charities and institutions, an amount that does not include donations in-kind such as executive officer and employee volunteer time. Included among the recipients were the University of Guelph, the Montreal Symphony, B.C.'s Science World, Ryerson Polytechnical Institute, Junior Achievement of Nova Scotia, Polytechnique Montréal, and the Calgary YMCA. Internationally, the bank was also active, contributing J$500,000 to hurricane relief efforts in Jamaica in September 1988. CIBC also accepted donations in the branches for other tragic events around the world such as the Iranian Earthquake Relief Fund in 1990. Festival Hong Kong '92 — held in Vancouver, Calgary, Toronto, Montreal, and Ottawa — was given $150,000 for a program that celebrated the relationship between Canada and Hong Kong through a wide variety of events ranging from business seminars and sports demonstrations to cultural exhibits and the performing arts.

Every year, the bank set aside 1 percent of its average domestic pre-tax earnings over the previous three years for the donations program. That level of contribution placed CIBC among the most generous corporate givers in Canada and in a leadership position among banks. The secretary's division reviewed more than 600 written requests per year. Each request was assessed on its own merits as well as against a set of guidelines drawn up for donations. The corporate donations committee gave final approval for any donation of more than $2,000. "Being a good corporate citizen is a double-sided coin," said George Radford, senior vice-president and corporate secretary. "We want to be a contributing member of the community, while maintaining the bank's responsibility to shareholders by donating to worthy causes and organizations."[4]

Fullerton took a particular interest in donations to the arts, recommending in a speech that a portion of all such contributions be made directly to the Canada Council. "Since the Canada Council has more than thirty years' experience in determining artistic merit, corporations can help them do their job by making use of the council's charitable status," he told a 1986 luncheon gathering in aid of

Halifax's symphony. "The council's ability to support smaller or minority interest groups would be substantially enhanced."

Fullerton noted that upwards of 80 percent of worthy artistic ventures were denied support by the Canada Council for a lack of funds. He also urged a more professional approach by arts groups, adding, "the market will decide who succeeds and who doesn't."[5]

IN QUEBEC, the bank hired a popular hockey player as a high-profile spokesperson. Patrick Roy, the Montreal Canadiens goalie and already a crowd-pleasing media favourite, was signed to a three-year contract in September 1986 to represent CIBC. "He had stunned the hockey world by winning the Conn Smythe Trophy in his rookie year and his almost mystical association with his own goal posts had made him an intriguing personality," wrote David Johnston in the *Gazette*.[6] "The Canadiens signed him when he was nineteen, then they won the Stanley Cup, and everybody wanted Patrick Roy on their side," said Vince Giangaspero, who was among the bank employees involved in Roy's marketing campaign. "We became not only business acquaintances but friends. I enjoyed quite a few evenings and outings with Patrick."[7]

Montreal Canadiens goaltender Patrick Roy was CIBC's spokesperson in Quebec from 1986 to 1995. He is seated here with André Petit, CIBC's senior vice-president in Quebec, in 1986

Giangaspero had arrived in Canada from Italy with his family in 1955 and joined the bank in 1963 as a junior clerk earning $2,000 a year. There were only three types of accounts — savings, current, and the

St. Leonard in Montreal, Quebec, 1965.

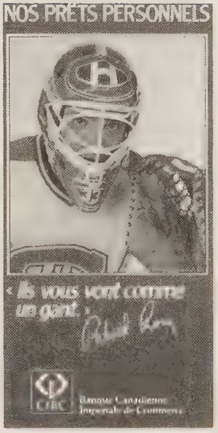
recently introduced personal chequing account. In 1969, when he was made a branch manager in St. Leonard, his salary more than doubled from $4,200 to $8,900. Giangaspero, who retired in 1999, finished his banking career as a district manager overseeing seventeen branches with 350 employees.

Giangaspero's leadership style was in keeping with the bank's overall direction. "I always promised myself, when I got a leadership role, that I would never abuse it and that I would focus on what people had that was good," he said. "It's a pleasure to work for someone that recognizes what you can do, instead of always finding fault with everything."

When Giangaspero was sent to pick up Roy and bring him to a lawyer's office to sign the first contract, he was surprised to find the young man living in a basement apartment in St. Leonard, in Montreal's east end. Giangaspero urged him to wear a sports coat for the occasion because, he pointed out, there would be bank vice-presidents in attendance, but the best Roy could do was a safari jacket.

At the press conference announcing Roy's role as official spokesperson for the bank, Roy said, "In recent years, CIBC has shown itself to be the most sports minded of the Canadian banks in developing associations with the

women's national ski team, the Toronto Blue Jays, the Calgary Stampeders, and the Spruce Meadows World Cup Equestrian Competition."[8] According to the bank's Quebec newsletter, the purpose of aligning itself with Roy was to "increase our share of the personal loans market in Quebec by associating our winning product with a winning figure."[9] The slogan for the English-language campaign was "Fits you like a glove," and in French, "Ils vous vont comme un gant," thereby aligning Roy's talent with CIBC's ability to tailor its range of services and products to the needs of individual customers.



Brochure featuring CIBC spokesperson Patrick Roy from the late 1980s.

CIBC spokesperson Patrick Roy (STANDING CENTRE) with employees at the Pie IX and Jean-Talon branch in Montreal.

The seal of the Eastern Townships Bank.

RIGHT: Originally the head office of the Eastern Townships Bank in Sherbrooke, Quebec, this building now houses the Musée des beaux-arts de Sherbrooke.

Roy did radio and TV commercials in English and French; posters of him were featured in branch displays. He also visited branches and appeared at both social and sports events on the bank's behalf. In his first three years under contract, for example, he visited forty-seven branches including locations in Montreal, Quebec City, Hull, Rouyn, and Val d'Or, signing autographs for employees and customers. Roy agreed to two more three-year contracts, bringing his total time representing the bank to nine years. The arrangement ended when Montreal traded Roy to the Colorado Avalanche for the 1995–96 season.

At the time Roy signed his first contract, the bank had 180 branches in Quebec and more than 3,000 employees. CIBC's ties to Quebec go back to 1859 with the establishment of the Eastern Townships Bank, a local bank headquartered in Sherbrooke. By the time it merged with The Canadian Bank of Commerce in 1912, the Eastern Townships Bank had grown to ninety-four branches, ten of which were located in Western Canada.

Beyond those early building years, that pioneering spirit continued to prevail. Even in the 1980s, CIBC remained the only chartered bank represented in some of the more remote areas of Quebec: Havre-Saint-Pierre since 1948, Chapais since 1953, Lebel-sur-Quévillon since 1964, and since 1973, Kuujjuak (formerly known as Fort Chimo) as well as Chisasibi, the most northerly Cree village accessible by road.[10]

FULLERTON'S ARRIVAL at the top was well timed. The recession of the early 1980s, the worst economic downturn since the Great Depression of the 1930s, was coming to an end. In 1985, two banks based in Western Canada collapsed: Canadian Commercial Bank and Northland Bank. Depositors were fully compensated by the Canada Deposit Insurance Corp., but investors lost money. Lloyds Bank of Canada took over a struggling Continental Bank of Canada in 1986.

As the economy improved, better financial results returned. For the year ended October 31, 1985 — Fullerton's first while holding all three titles of chairman, president, and CEO — profits were $361 million, up 28 percent from the previous year, compared to an 18 percent increase for all the banks. Share price reached record highs. In the twelve months ended December 31, 1985, CIBC shares rose 44 percent, compared to a 25 percent increase for the Toronto Stock Exchange bank index.[11]

Fullerton created corporate commercial groups in Montreal, Calgary, and Vancouver to seek new business in sectors such as transportation, telecommunications, and financial services. To heighten the bank's profile, he authorized a new television campaign featuring the slogan "Living up to leadership." A wide variety of other customer offerings followed. A Flexi-Plan Mortgage allowed borrowers with mortgages maturing at other institutions to transfer that mortgage to CIBC for the reasonable fee of $65. An account called SmartStart was aimed at teenagers and young adults and included a personal budget planner to show how to save and manage money.

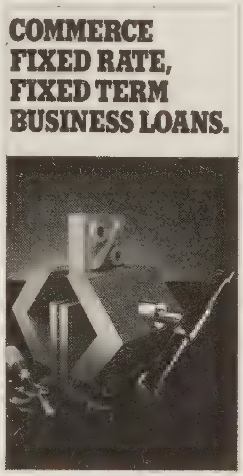
Various contests and giveaways were launched to attract new customers. Twenty-four new Nissan Stanzas were offered as prizes during an eight-week campaign aimed at people shopping for a loan or mortgage.

In keeping with its history of financial innovation, in 1983 CIBC was the first Canadian bank to adapt the personal computer for use by tellers.

Jean Hoben at the 2400 Eglinton Avenue West branch in Toronto, Ontario, shows off the new COINS personal computer system in 1985

IN 1985, IT INVESTED $40 MILLION in new information technology thereby giving all corporate customers direct communication with the bank. CIBC also introduced a countrywide program of fixed-rate, fixed-term loans so small- and medium-sized businesses could control their costs and stabilize their financing requirements.[12]

The main computer centre was in Toronto; a backup facility in Markham, Ontario, had recently doubled in capacity. Across Canada, there were eight regional centres with another under construction in Streetsville, Ontario. "We have invested heavily in the latest technology to ensure that our branches and administrative offices have the most advanced PC-driven intelligent workstations," said Fullerton in 1987. "Some 9,000 terminals are currently connected to the network, so it is likely still the largest network of its kind in the world." The workstations provided electronic mail among the branches and regional offices and allowed tellers to go beyond deposit and withdrawal services to handle mortgage inquiries, foreign exchange, and term deposits.[13]



CIBC's fixed rate and fixed term loans helped small business clients.

FULLERTON'S OVERARCHING FOCUS, however, was on strategic planning. He assigned Executive Vice-President John MacLean to create a reorganization task force to come up with long-term recommendations. In his report delivered in December 1985, MacLean said that the bank had a history of centralized decision-making, offered few incentives that encouraged initiative, and suffered from a reluctance to change. "The bank closely resembles a major government department, if not a small government. Major redevelopment will only be accomplished over a period of years and through the use of considerable organizational skills. Only total commitment of the CEO and devotion of considerable time on his part can bring about significant change," wrote MacLean.[14]

The MacLean task force recommended reorganizing the bank into three strategic business units (SBUs): a consumer bank, a corporate bank, and an investment bank. In presenting the findings to the board of directors meeting on January 2, 1986, Fullerton said, "I have some concerns about our credibility to close the remaining profitability gap with our most successful competitor in

1986. An aggressive plan has to be formulated and followed through to position this bank second to none in Canada to provide appropriate services at the consumer banking level."[15]

Fullerton created three SBUs with Warren Moysey as president of the Individual Bank, Al Flood as president of the Corporate Bank, and Paul Cantor as president of the Investment Bank. Each SBU had a global mandate to develop its own operating, financial, and profit plans. In addition to having the potential to improve customer relations, Fullerton also believed that the reorganization — done along business lines rather than the traditional geographic lines — would permit more effective assessment of individual performance and open up more bank-wide opportunities for employees.

While the three SBUs were meant to function separately, they were also expected to maintain the same corporate identity and to coordinate their activities. Customers would benefit from the newly created operations because the bank would be better focused on their specialized needs. One of the most important aspects of the reorganization was the clear identification of authority and responsibility. "This is a massive change in philosophy and way of doing business," said Fullerton. "It is one way in which you can address a rather mediocre performance." Under the old system, he said, a lot of management was concentrated in the "top echelon" and "it was hard to find anybody who was accountable for anything."[16]

A fourth strategic business unit, Administrative Bank headed by Marcel Casavant, was established to provide all the necessary support functions for the other three SBUs: inspection, human resources, information technology, treasury, accounts and control, and capital planning.[17] "To try to improve the profitability and performance of this bank in its old configuration was like trying the turn the *Queen Mary* with a toothpick," said Fullerton. "In this new configuration, we have an edge. This is how we focus this huge organization on its major objectives."[18]

In so doing, Fullerton was carrying out the kind of sweeping reorganizational change that was just beginning to take place in Canadian banking. A 1988

study by Alan Murray and Mansour Javidan on the relationship between strategy and structure at the big five Canadian banks found that they were all wrestling with geographic separation of the branch network, overhead costs, increasingly sophisticated customers, and the burgeoning needs of computer technology. Bank of Montreal was the first to face these challenges by reorganizing, said the study, but the changes had yet to improve the bank's performance. The Royal Bank was pursuing a similar strategy but at a more cautious pace. CIBC had initially been slow to act but was now well under way. As the smallest, TD already had a more flexible structure; the Bank of Nova Scotia had carried out no restructuring. Reported the study, "The entire process is heavily coloured by management perceptions and values that, in turn, are determined by the culture of the organization — specifically the leader's style — and by the skills, training, and background of the organization's members."[19]

The board of directors approved Fullerton's plans for the SBUs and the culture change he was bringing about. "You put an individual in charge of the unit, make them responsible for it," said William Cooper, president of Cooper Corporation Ltd., of Hamilton, Ontario, whose father, Ralph, had also been a director of the bank. "It gave you an ability to appraise the individuals because they would be reporting back, and I think the board members probably had a better understanding of the business because it was smaller."[20]

The realignment into SBUs officially took effect on November 1, 1986. Individual Bank, by far the biggest of the SBUs, comprised about three-quarters of CIBC's 40,000 employees and served consumers, small business, and farmers through 1,518 branches nationwide, the most of any Canadian bank.[21] Warren Moysey's plan was to give decision-making power to every branch employee, a new concept meant to revolutionize the bank's culture in his division. "The organization really focused on balancing the books to the penny in every branch — you can't go home until you balance — and was paying minimal attention to the customer," said Moysey. "The reason for the change in culture and mindset was to tell the troops, all 30,000 of them, that the customer was paramount."[22]

Moysey's primary strategy to improve customer service was Project Delta, a program expected to take up to five years to implement. Project Delta was a bold departure from the past. "It's a pretty big machine to turn around," said Richard Sharpe, chairman and CEO of Sears Canada Inc., who joined the board in 1984. "There's an old acronym that says TLC, which is 'tender loving care' to most people's minds. I tend to interpret that as 'think like a customer,' and I said this is where I think the bank is missing the boat. They think like bankers; they don't think like customers."

A committee headed by Ron Bisset, executive vice-president, Individual Bank, was established in 1987 to create a detailed plan for Project Delta. "The branch network in any bank tends to be viewed as either an albatross or a strength. To us, it is one of our major strengths," said Bisset. "We have the largest network of the major Canadian banks and it will stand us in good stead in the hectic and highly competitive marketplace out there, providing we are prepared and able to take advantage of the opportunities offered."[23]

The Bisset committee — made up of CIBC executives and specialists from consulting firm McKinsey & Company — spent a year gathering data, holding workshops, and conducting interviews as they sought ways to achieve better service quality, higher efficiency, more professionalism, and improved profitability. Don Fullerton's clear expectation was that Project Delta would pick the best strategies from among the world's most successful retailers and make the bank a more productive and profitable place.

10

Project Delta

Since Warren Moysey would be explaining Project Delta to large numbers of employees in theatre-style venues across the country, he took speaking and acting training to improve his on-stage delivery. One speech was in front of 2,000 in Toronto's Roy Thomson Hall with another 13,000 watching via satellite linkages. Moysey also made presentations to employees in Halifax, Montreal, Calgary, and Vancouver.

Under Project Delta, the country was reorganized into about one hundred local markets — called districts — each headed by a district manager. Each district manager oversaw about fifteen branches in order to focus on better selling techniques and higher service quality. Previously, someone seeking to borrow money for a motorcycle would be met in an office while another client stood in line to buy a $50,000 guaranteed investment certificate. "In today's world, that just doesn't make sense. But then, that's just the way it was," said Bob Bissillion, who in 1989 was appointed as district manager, Surrey-Langley and Fraser Valley, in British Columbia.

Chargex sales representative Helen Mowat in 1969.

Bissillion's career at the bank began in 1966 as a management trainee in Calgary, so he saw the changes wrought by Project Delta as well as other aspects of Fullerton's leadership. "We joined the bank at the right place and the right time. We were literally swept along in the need for new managers," he said of himself and his cohort. "The path was paved for us."[1] Bissillion worked in several branches in Calgary and in 1970 joined Chargex, predecessor of Visa, as resident representative for Alberta. Bissillion supervised four saleswomen outfitted with wardrobes in the Chargex colours of blue, white, and gold. They drove bank-leased cars, signed up merchants, and demonstrated how to use the system. In 1972, Bissillion transferred to Vancouver where his territory included British Columbia, Alberta, Saskatchewan, and Manitoba. "Usage exploded," he said. "Chargex really dominated this new flow of the normal Canadian having a credit card."

Bissillion learned commercial lending in Vancouver in 1976 and then served as branch manager in Burnaby and North Vancouver. In January 1986, he was named assistant general manager in the new British Columbia and Yukon regional office at the intersection of Burrard, Pender, and Hastings Streets. The $41-million, twenty-storey Commerce Place had just been officially opened the previous September and housed the bank's regional office, main branch, and commercial banking centre.

Project Delta began in Ontario Central West Region — centred in Hamilton — in July 1988 and then expanded to Toronto and Vancouver. Branch managers were expected to act more like sales managers than credit officers or administrators. Paperwork done by branch employees was moved to central support offices in order to make time available to work with individual clients. "Empowerment was a word used; customer service was an emphasis," said Bissillion. "We were very empowered to do the things we wanted to do."

Some employees found the new ways difficult: they would no longer stand at a counter waiting on clients' immediate needs, and instead they sat at a desk in an office and actively managed long-term client relationships. District managers also faced retraining in strategic thinking, change management, leadership, and planning so they could become, among other things, sales coaches. Structural change was continuous. "When I retired in 2001, there were still aspects of all that coming out," said Bissillion.

Viewed from the boardroom, CIBC seemed to have difficulty putting Project Delta fully in place. Said Richard Sharpe of Sears, "I never really thought that people were paying attention to it, that they were setting their objectives and goals based on that plan."[2] Some participants agreed. "We got into an era where the bank reorganized itself, at least in the branch banking side, it seemed like every second week," said Jack Shore who was a branch manager from 1987 to 1989 and then was appointed a district manager in Victoria. "It was Delta, it was Delta Plus, it was three pillars, and that was all in a space of four years. You didn't even swallow one before you were changing again."[3]

Early in 1989, Moysey delivered a presentation called Future Vision to more than 25,000 employees, the largest number ever brought together via satellite in the bank's history. His message was that bank employees were now financial retailers and the branches should be called stores. In a videotaped appearance, Don Fullerton emphasized that leap of faith: "When we say that we are retailers, that we are running retail stores and that the customer is paramount, we must not talk theory — we must talk practice."[4]

The new terminology — calling the branch a store, the branch manager a store manager, and with employees taking on new nomenclature as retailers — did not sit well with everyone. "We know that this change has made quite a number of our branch staff uncomfortable," said an article in the summer 1989 issue of *The News*, the employee publication. The article didn't quote anyone in particular but read more like a directive from on high. "Some feel that it reduces CIBC's branch image as a professional financial services business. The 'store' concept is intended for internal use only, to get us all thinking like financial 'retailers,' and if you are uncomfortable with it, use the term branch or banking centre."

Still, the rollout continued. Exterior signage that read CIBC Banking Centre was installed across the country, the "stores" had longer hours, more were open on Saturday, and 240 new personal banking representatives — a sales position — were appointed. In Delta branches, 60 percent of employees were in sales, compared with 10 percent previously. By April 1990, about 15,000 employees had taken service quality training that included sales seminars, training videos, and a greater focus on teamwork to serve customers better.[5]

Meanwhile, the SBU reorganization seemed problematic. Although the creation of SBUs in 1986 brought about a new focus and framework, the change had also caused internal problems. "The presidents have been left to their own devices to investigate and pursue new business opportunities that they feel are attractive to them and they have commissioned various studies regarding their areas of responsibility with a view to planning future moves. This is commendable," wrote John MacLean, executive vice-president, planning, in a 1988

Whether old or new, branches were rebranded with the updated logo. LEFT: Nelson, British Columbia. RIGHT: Bloor Street and Avenue Road, Toronto, Ontario.

memo to Fullerton. "The problem that I sense is that certain initiatives are being undertaken, and justified on occasion, on a flimsy basis."[6]

MacLean noted that the original plan to create SBUs had included a new role, chief operating officer (COO), reporting to Fullerton, to provide close oversight of the three presidents, thereby leaving Fullerton free "to attend to the larger issues confronting the bank, board operation and relationships, and the heavier strategic problems confronting CIBC." MacLean recommended that now was the time to appoint that strong COO, otherwise, he wrote, "I do not believe that CIBC will achieve the level of success that it should if future directions, etc., depend to such an extent on achieving concurrence, without a focal point, between the appropriate presidents." No COO appointment was made.

Fullerton had expected employees in the various SBUs to be able to move freely among the various banking units in order to broaden their career experience. In practice, when a talented individual was identified, management in

that SBU wanted to retain that person rather than allow them to go elsewhere. Another problem was that each unit tended to build up its own support staff, thereby duplicating duties across the bank.

In some ways, the 1986 reorganization into SBUs turned the bank inward. "We were in competition with ourselves, not the Royal, not the Bank of Nova Scotia. Even the way we measured performance sometimes was against each other," said David Barrett, who had been a member of the Project Delta task force. As an example, Barrett cited a meeting when Fullerton called several business heads to the boardroom in order to hear their forecasts for the next fiscal year. According to Barrett, the interchange went something like this: "Employee A in charge of mortgages, how much are you going to make next year?" "Three hundred and fifty million, Mr. Fullerton." "Employee B, in charge of the Visa centre, how much are you going to make next year?" "Four hundred million." Fullerton listened carefully to all the estimates and then said, "I added all this up. We're going to make $3.3 billion next year and our forecast is $850 million."[7] The individual forecasts didn't mean anything: everyone was just trying to top the previous speaker in order to look good in the eyes of the boss.

"We were working internally for wooden nickels that really had no real value," said Barrett. "They were in silos, you had a president, and that's where you worked, but there were no bridges." Asking questions or talking about another SBU was not allowed. "There wasn't that dialogue, and if you tried to have that dialogue, you were shut down. We insulated the boss from reality; we were sort of a good-news bank. Some people were happy with it because they got well remunerated. And other people suffered . . . The people who were on the line, the people who were serving [customers], were still grossly underpaid."

DESPITE ALL THE INTERNAL PROBLEMS, by 1990, outside observers were seeing progress. "Analysts note that institutions such as the Bank of Montreal, which William Mulholland ruled with an iron fist until recently, have run into rough water while banks being led by management teams have fared better," wrote

John Ferguson in the *Toronto Star* in January 1990. "The Toronto-Dominion, which concentrates on the North American market, has often set the pace in retail banking practices with the Royal holding its own as the country's pre-eminent bank. CIBC began making a mark in domestic financial services about four years ago, analysts said, charging ahead of the other three. Personal banking has become the CIBC's chief revenue source."[8]

Among the analysts quoted in the article was Terry Shaunessy of Merrill Lynch Canada Inc. "The CIBC is second only to the Toronto-Dominion Bank and perhaps Canada Trust on the consumer banking side of things, and gaining rapidly," said Shaunessy. "The bank's heavy emphasis on personal banking is paying off handsomely. It's a different beast these days and quite a success story." Added Roy Palmer of Montreal-based Alfred Bunting and Co., "Don Fullerton came in, flattened the bank's organization, and let the guys run it. The bank has been a winner ever since." "The CIBC used to be a credit-driven bank in some trouble," said Hugh Brown of Burns Fry Ltd. in Toronto. "It is now a market-driven bank that is successful because the customer is the boss."

Moysey, however, was increasingly seen as an outlier. "I ended up in conflict with my two fellow presidents and probably Fullerton because they got all wrapped up in product profitability: every product must be profitable or we should change the price or stop offering it," said Moysey. "I said no, what we want to focus on is relationship banking and trying to make all relationships profitable."[9]

Moysey pointed out that because Individual Bank was twice as profitable as either Corporate Bank or Investment bank, additional resources should be allocated to Individual Bank. Both Cantor, president of Investment Bank, and Flood, president of Corporate Bank, protested. Said Cantor, "If we did that, we'd be just a savings bank." Said Flood, "We bank corporate Canada," citing support of senior director Alf Powis, who maintained, "'That's our tradition, that's our history.' We're going to carry on with that." No changes were made.

By 1990, Delta branches were outperforming non-Delta branches based on the number of mortgages, personal loans, and new Visa cards.[10] But increased quantity did not necessarily mean better quality. An internal report found "the

asset quality of CIBC . . . has persistently been below that of its major Canadian competitors." In specific areas such as credit cards, "CIBC has consistently underperformed the Visa Canada system during the period reviewed (1984–89) in the sphere of delinquencies and write-offs."[11] In one unlikely promotion, the bank ran a Shop the Vault contest that allowed ten lucky mortgage or loan customers ten minutes in a bank vault to scoop up as much money as they could to a $50,000 limit.[12]

In November 1990, Fullerton called Moysey into his office and fired him saying, "I've lost confidence in you." Until then, Moysey had been seen as a potential successor to Fullerton. Moysey had no previous indication of trouble. He'd been elected to the bank's board of directors eighteen months earlier. In June, he'd completed a two-year term as chairman of the Canadian Bankers Association executive council. Moysey accepted his dismissal without asking for any further explanation.

WITHIN MINUTES OF FIRING MOYSEY, Fullerton appointed Holger Kluge as president of Individual Bank. Fullerton had discussed in advance the high-level change with both the executive committee and the management resources and compensation committee of the board.[13] Kluge, forty-eight, joined the Imperial Bank in Montreal in 1959 and had worked in Asia as well as in corporate banking in Toronto. Kluge asked Fullerton, "Why did you fire Warren? What's wrong in the Individual Bank?" Fullerton was not forthcoming, saying, "You figure it out."[14]

Of course, Fullerton did have some ideas. In a November 1990 letter to Peter Maher, director of examinations, Office of the Superintendent of Financial Institutions, Fullerton admitted, "The portfolio of the Individual Bank has been recognized by the bank as having a high loss experience relative to the industry. It is fact that the Individual Bank was slow to react to the deteriorating loss experience, especially in the consumer area."[15]

As a first step, Kluge met with his twelve-member management team and told them each to meet with him during the next ten days to describe their part

of the business — "the good, the bad, the ugly, what can be done about it, what can be fixed or not. We need to fix it as a team." During the next year, Kluge replaced all but one member of that management team: Keith Sjögren, senior vice-president, private banking. "Performance was terrible, loan losses accelerated, it was going into the tank," Kluge recalled. In the fiscal year ended October 31, 1990, Individual Bank made provision for $174 million for losses in consumer loans and residential mortgages while CIBC recorded a profit of $802 million.

Kluge appointed John Lowry as his executive vice-president. Part of the recruiting process included a dinner hosted by Kluge and his wife, Claudette, with Lowry and his wife, Norma. Such getting-to-know-you dinners with spouses were a regular feature of new appointments not just at the bank but in senior roles at most major firms. Said Lowry, "When you reach these levels in the bank, your wife, your spouse, your partner, plays a very critical role. When we were in the Corporate Bank, Norma and I would have dinner out two or three times a week with clients."[16]

Kluge also hired outsiders such as Paul Vessey from American Express as vice-president and general manager, card products, and Brian Cassidy from Scotiabank as vice-president, consumer credit. "When Holger took over the reins as president of the Individual Bank, he faced a large number of challenges and issues that needed to be addressed and needed to be addressed quickly," said Lowry. "The business was really being driven by the bank's marketing division. We had all these campaigns and each one of these campaigns would have sales targets, which were stretch targets. A lot of our people were being burnt out and it created low morale."

That previous push to increase market share meant that much of the new business was poor quality. In 1992, non-performing loans in residential mortgages reached $478 million along with $332 million in personal loans and Visa cards. By then, Kluge had halted all promotional campaigns and changed the risk criteria for loans. A new system of credit scoring made loan officers more responsible, improved loan quality, and reduced delinquency. Six thousand employees switched from being lenders to focus on deposits and wealth management. After

Holger Kluge (CENTRE) joins MPP Alvin Curling (LEFT) and MP Derek Lee (RIGHT) to cut the ribbon at the newly renovated branch at Sheppard and Glen Watford in Scarborough, Ontario, 1991.

two years, Individual Bank ranked first among all the Canadian banks in many deposit categories. When annual profit reached $400 million in 1993, Kluge set a long-term profit target for his division of $1 billion.

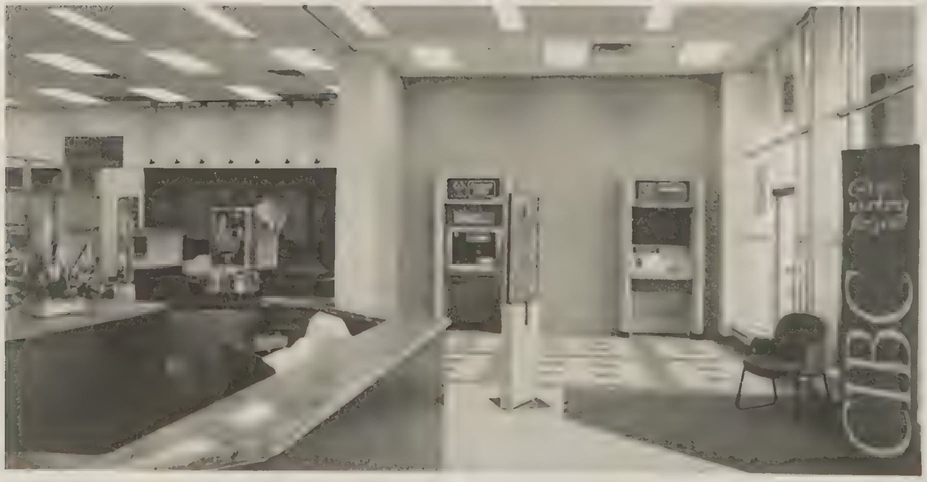
In order to create a more inclusive atmosphere, Kluge expanded the management committee of Individual Bank to include regional senior vice-presidents. The meetings were held in different cities, not just at head office as had previously been the case. Further, all members of senior management were ordered to spend one day a month in the field or in a branch. On one such occasion, Kluge was introduced to a customer as a trainee teller who would conduct the transaction. The customer took a look at Kluge, who was then fifty years old, and said, "Bit old for a trainee, eh?"

Kluge's philosophy was that the people in the branches were the most important members of Individual Bank because they interacted with customers. "You have to give the people in the front line the tools, computers, and whatever they need, the training, and the authority to make decisions. You can't wait for head office, some god, to make a decision," he said. In order to improve customer satisfaction, Kluge created a $10 million fund so a branch employee could immediately pay up to $100 on the spot to any customer who complained about, for example, a service fee.[17]

During his first two years as president, Kluge and John Lowry travelled across the country for town hall meetings with 200 to 250 employees each week. In order to stimulate questions, Kluge brought along an actor who mingled incognito with staff at the reception beforehand in order to hear their concerns. During the town hall, projected onto a video screen behind Kluge, the actor used a puppet — called Buck the Muppet — as the unscripted voice of the employees to poke fun at Kluge and put tough questions on their behalf. The technique not only created an information flow but also reassured the audience that candour was welcome.

In 1993, the name "Individual Bank" was changed to "Personal and Commercial Bank" in order to more accurately describe the customer base. Tellers became customer service representatives; sales staff were called personal banking representatives. The goal was set to be the number one financial retailer in Canada, and Kluge's strategic message focused on four core strategies under the acronym CASH — cost effectiveness, asset quality, sales and service, and human resources/people management. In return for finding cost reductions, the bank paid bonuses. New ways of reaching customers, such as Imperial Service where investment specialists worked with high-net-worth individuals, were launched.

At one point, Kluge asked Fullerton why he hadn't revealed in the beginning what he thought was wrong with Individual Bank. Said Fullerton, "I didn't really know how many problems they had and if I would have told you, 'Concentrate on this area,' and the bigger problem was in another area, I would have been a fool. It was better for you to find out what was wrong and then fix it."



Self-serve options changed the way clients did their banking. The Langley branch in British Columbia had new ATMs in its lobby and two drive-through Instant Tellers, 1991.

To run what was by then called Delta Plus, in 1992, Kluge recruited Gwyn Gill as executive vice-president, customer segments, from Royal Bank where she had started as a teller and worked her way up to senior vice-president, marketing and planning. "The group did some very innovative work, but like all big projects, it ran out of steam. We really started over," said Gill. "They didn't get very far in that first phase, but we got a lot farther in the second phase."[18]

The bank also continued to work with consultants from McKinsey & Company. McKinsey's findings were that among every customer group they'd studied, about 80 percent of a bank's profit came from about 20 percent of the customer base. Most often, those customers formed three segments: the elderly, the upscale consumer, and corporations of all sizes.[19] The goal was to switch more customers to an automated teller machine (ATM), thereby freeing up space and people in the branches to offer financial services in product areas of highest profitability, such as wealth management and mutual funds sales.

Starting in 1995, thirteen newly renovated branches in the St. Catharines, Ontario, district were the first to test the new Delta Plus approach with two distinct components: convenience banking for all customers and financial advisory services for those with more complex needs. Lobbies with ATMs were added, as were new configurations, in-branch kiosks, passbook updaters, rolled-coin dispensing machines for small businesses, and drive-through facilities. Greeters directed traffic and taught customers how to use ATMs.

Using an ATM meant the average time for a basic transaction was reduced to fifteen seconds from four-and-a-half minutes. Within six months, the proportion of eligible transactions done on machines increased to 91 percent from 58 percent, a significant difference given that the cost of processing a cash deposit by a teller was $2.94 versus $0.54 via an ATM.[20]

About 10 percent of branch managers were found wanting and were removed from their positions. A job catalogue as well as career planning workbooks were created to help dislocated employees find roles elsewhere in the bank. Costs associated with Delta Plus were high. For example, reconfiguring branches, adding ATMs and new products, and relocating back-office support to a central

location cost $62 million for eighty-eight branches in Vancouver and Victoria and $43.6 million for fifty-nine branches in Calgary and Edmonton.[21]

Among other promotions, Gill established an annual rewards program that sent the 500 top-performing employees on a week-long cruise with their partners. "We really got a selling culture going in the bank during that period," she said. "Six or seven years ago, our financial performance was one of the worst in the industry," Mike Pedersen, executive vice-president, branch banking, said in 1997. "Today, depending on the quarter, we are number one or number two."[22] In 1998, Kluge's personal and commercial division reached his goal of $1 billion in annual earnings — set five years earlier — by making a profit of $1.1 billion.

11

Choices and Challenges

At the same time that Don Fullerton was trying to improve the bank's profits and retail business in Canada through Project Delta, he was also pursuing three other goals. First, Fullerton aspired to expand the bank into the United States; second, he sought to improve management performance; and third, he wanted to avoid corporate loan losses, as had been incurred with Massey Ferguson and Dome Petroleum.

In order to better understand past loan losses, Fullerton asked why non-performing loans had cost CIBC more than $3.1 billion between 1981 and 1986. "We had become an asset lender — concentrating on lending against assets — and in the process, we disregarded the other traditional virtues of crediting: the ability to service and the ability to repay," concluded Larry Hivon, executive vice-president, credit, Corporate Bank, who headed the task force.[1]

In response, concentration limits were invoked in certain sectors of the economy and a new credit management process was launched. Intensive training for credit personnel, coupled with better risk management software, replaced the paper-based system and thereby automated some types of business loans. Account managers were able to spend 80 percent of their time with clients and 20 percent on administration rather than the reverse, as had been the case.

In some markets, growth was spectacular. From 600,000 independent business clients in 1978, by 1990 there were 880,000, an increase of almost 50 percent. Part of that success was because the recession of the early 1980s was over; the economy was booming again. Brian Mulroney and the Progressive Conservative Party had replaced the Trudeau Liberals in 1984. In 1985 when the report of the Royal Commission on the Economic Union and Development Prospects for Canada, chaired by Donald Macdonald, recommended free trade, Mulroney was quick to embrace the idea. Fullerton was an enthusiastic supporter. "We need a trade agreement with the United States. Without one, we cannot sustain economic growth," said Fullerton in a 1986 speech to the Canadian Club.[2]

Once the Canada-U.S. Free Trade Agreement (FTA) was in place in 1989, CIBC became the leading provider of structured export financing services among Canadian banks. In 1990, the bank's trade finance division completed transactions worth $2.8 billion. In 1991, CIBC was the first financial institution to win a Canada Export Award from the federal government.[3]

Meanwhile, the bank was also winning corporate business in the U.S.: it was the agent bank when Borg-Warner Corp. spun off its air conditioning division to shareholders. The bank also provided interest rate hedging for that financing; was a co agent for the $545 million construction and interim financing of Worldwide

Plaza in Manhattan; and structured, underwrote, and syndicated $340 million in bank financing for the acquisition by LPL Investment Group of Amphenol Corp. from Allied-Signal Inc.

Even before FTA came into effect, Fullerton had visions of acquiring a U.S. bank to form what he called "a North American powerhouse" that might eventually include a Mexican bank.[4] In early 1988, Fullerton held discussions with Hugh McColl, chairman of NationsBank of Charlotte, North Carolina, one of the largest banking corporations in the U.S., but eventually concluded that approvals for an alliance were unlikely from the governments of either country.

In February 1990, CIBC acquired US$800 million in media loans from the Bank of New England, thereby increasing Corporate Bank U.S.A.'s media portfolio to almost US$3 billion.[5] The deal put the bank among the top ten media banks in the U.S., but Fullerton wanted more. "Our goal is to become a major participant in the North American market and to be recognized as a force in the financial services industry," he wrote in an April 1990 memo. The same memo surveyed other global regions, saying there were no expansion plans for Europe. As for Asia, Fullerton expressed continuing interest in Hong Kong, Singapore, and Taiwan while maintaining a presence in Tokyo.[6]

In one final effort to acquire a U.S. bank, Fullerton pursued a deal with Frank Cahouet, chairman and chief executive officer of Mellon Bank. The complicated arrangement would have seen CIBC and the Pittsburgh-based Mellon acquire the merged Bank of Boston/Shawmut National Corp. CIBC would then put its U.S. assets into the acquisition vehicle, merge that entity with Mellon, and be the 50.1 percent owner. But Shawmut backed out of the Bank of Boston deal in January 1992. When it became clear to Fullerton that Mellon had just been looking for a minority investor, not a partner, CIBC abandoned further talks.[7]

AS PART OF HIS DETERMINATION to improve bank management following the 1986 creation of SBUs, Fullerton gathered his thoughts prior to an October 1989 global management meeting. Writing what he called an aide-memoire, he said,

"What we have done reflected the urgent needs of the organization at the time and the quality of the work force we had to deal with. It was a deliberate decision not to sweep the house clean initially as there would have been little left to work with."[8]

In his aide-memoire, Fullerton called for intensified efforts: "We have been able to accomplish a great deal on programs that are on the less creative side and rather poor progress of positioning people to manage. Our greatest challenge, therefore, is to break out of mediocrity at the middle and upper management levels." Fullerton also pointed out that the bank was fourth among the big five measured both by return on assets and return on equity. As for profitability, during the previous six years, CIBC had fallen from twenty-second place to forty-fourth among all the banks in the world.[9]

Fullerton was not one to spotlight issues without offering solutions. A post-meeting memo prepared by John MacLean and circulated by Fullerton set out a mission statement that included the need for quality personnel, a goal of reaching first quartile performance, constructive communications, and leadership in technology.[10]

In a bold attempt to send a jolt through the system, Fullerton sent a seven-page letter dated February 13, 1990, to the 4,700 employees holding the rank of branch manager and above. He noted that some business units, divisions, departments, and branches had for many years been rating more than 60 percent of their managers four or five on a five-point scale when in most well-run organizations such high marks were awarded to only 15 to 20 percent. As far as Fullerton was concerned, the bank "has been managed in a weak 'country club' fashion for many years." Fullerton said that he would be instituting a new measurement: how accurately managers assessed their staff.[11]

Fullerton was not afraid to include himself and other members of top management in such scrutiny. A survey assessing the competence of senior executives — including the CEO — was conducted from August 1989 to February 1990 with the results circulated in March 1990. The proportion of the 108 executives who did not meet the competency requirements for their positions was

58 percent in change management, 43 percent in implementation, 41 percent in communication, 35 percent in visionary leadership, 28 percent for technical expertise, and 25 percent in organization/business know-how. "This is not an encouraging finding at a time when CIBC is undergoing tremendous change in culture, management style, and lines of business," said the report. "It seems that we may have the basics in place and the vision of where we want to go, but we are not as competent in managing how we get there!"[12]

Once Fullerton saw the 1989 staff evaluations, in April 1990 he sent another memo more blistering than February's missive saying that the bank suffered from "middle-management mush." In that April memo, Fullerton said that he was further upset because the comments about his February letter came mostly from lower-level employees. "From the 230 vice-presidents and above, I have not received the feedback I would expect from you, the most critical driving forces of change in our organization."[13]

"Middle-management mush" became the single best-known utterance of Fullerton's career. Fullerton specifically labelled both memos as "not confidential" as if he wanted to make waves outside the bank. He got his wish. Both memos were leaked to the *Globe and Mail*. The result was a lengthy story in August under the headline "CIBC chairman blasts staff."[14]

In order to demonstrate the importance of what Fullerton saw as the core of the issue, he more tightly tied performance to pay. Fullerton said that some employees "already paid very well in their current salary ranges compared to how they are delivering" would receive "little or no" increases.[15] In addition, a significant number of employees were downgraded and many had their year-end bonuses reduced. Said Fullerton, "We are looking for results — not over a ten-year time frame but a couple-of-years time frame."[16]

AMID THE POOR PERFORMERS, others excelled. Bob Van Wart joined CIBC in Saint John, New Brunswick, right out of high school in 1973 as a junior and worked for the bank throughout Atlantic Canada. Of all his roles, his favourite began in

1990 as manager, corporate banking centre, in Charlottetown. "I loved the thrill of talking to somebody I'd never spoken to before and saying, 'You need to meet with me, I'm going to become one of the most important people in your life,'" said Van Wart.[17]

When Van Wart met with a prospect, he presented information about the prospect's company and trends in that industry, just as if they already had a long-standing relationship. Van Wart gave a free analysis, saying, "What do you really need to run your business, not today, but five years from now? The climate's good, the economy's good, your business is good. Let's get you as much capacity as we can so that if and when there's a downturn you don't have to worry about the bank saying, 'No, we can't loan you any more money.' You've already got it." After a few such visits, the prospect often switched banks to CIBC. "If you can get the door open, the rest of it is just a matter of time before they'll move their business," said Van Wart. As his portfolio grew, word of mouth meant that more and more clients sought to deal with Van Wart. Chartered accountants called, saying, "We've got our customers asking us, 'How do we get to be part of Bob Van Wart's Corporate Club?'" Corporate Club was not a name he'd devised; the business community did.

Van Wart's high profile was also aided by his extensive community involvement. He was president of the Rotary Club, produced his own cable television show, and worked on fundraising campaigns for the United Way and Queen Elizabeth Hospital. "Premier Joe Ghiz used to joke that I got my picture in the paper more often than he did," said Van Wart. All of Van Wart's efforts paid off. During his seven years on Prince Edward Island, Van Wart increased the bank's assets, including loans and deposits, from $10 million to more than $80 million.

AT HEAD OFFICE, Fullerton's most serious challenge involved a major corporate client: Olympia & York Developments Ltd., the private holding company of the Reichmann family, led by brothers Albert, Paul, and Ralph. The family left

Morocco for Toronto during the 1950s. Their first business, was importing tile, but by the 1970s they were building office towers in Canada and the U.S.

No banker worked harder than Don Fullerton to help them become established and then to expand. As the Reichmann empire grew, their companies borrowed from multiple banks in the U.S., Japan, and Europe, but CIBC remained their lead bank. At one point, *Fortune* estimated the Reichmann family's wealth at US$14.7 billion. Paul Reichmann, O&Y senior executive vice-president, joined the CIBC board of directors in 1985.

In 1987, the Reichmanns took on their biggest real estate project ever: Canary Wharf, a $3.5 billion office complex — including the fifty-five-storey Canada Square, Europe's tallest building — in a remote docklands area in East London. But as the recession of the early 1990s deepened and oil prices collapsed, most companies reduced their number of employees and cut back on expansion plans. As a result, Canary Wharf couldn't attract new tenants. Loans were coming due at a time when anticipated revenue didn't arrive. In 1992, O&Y lost more than $2 billion.[18]

In February 1992, four Canadian banks — CIBC, Scotiabank, Royal, and National — turned down an O&Y request for a Canary Wharf loan. In a letter sent to the four bank CEOs in early March, Paul Reichmann said that a major tenant would soon be signing a lease and the British Parliament was about to approve the Jubilee line to provide Canary Wharf with better transit. "The month of March may make the difference between creation of a 'garbage dump' or a project which may well be the world's most successful real estate development," wrote Reichmann, who resigned from the CIBC board that same month.[19]

At $1.2 billion, CIBC's exposure to O&Y was the largest of all the Canadian banks. That figure included Canary Wharf, other prime real estate, commercial paper programs, operating lines, and Reichmann Tile Co.[20] Royal was owed $800 million, Bank of Nova Scotia $547 million, National Bank $500 million, and Bank of Montreal $280 million.[21] Major foreign lenders included Hong Kong & Shanghai Bank, Citicorp, Commerzbank, and Credit Lyonnais. In all, O&Y was $20 billion in debt to almost one hundred banks.[22]

Fullerton decided to take a leadership role and set out to create a vehicle reminiscent of the successful 1982 Dome agreement that involved participation from both the public and private sectors. Fullerton's proposal was for a syndicate to buy from O&Y the Exchange Tower — part of First Canadian Place in Toronto — with an estimated market value of $250 million. O&Y would use the proceeds to liquidate the commercial paper program that was in turn secured by the Exchange Tower.[23] Commercial paper is essentially an IOU issued by a corporation to institutional investors. When the paper comes due, if the company looks shaky, holders don't have the same long-term commitment as a bank. They want the money owing paid immediately. Fullerton's theory was that the involvement of the federal government and the province of Ontario would help stabilize the company's financial situation.

Fullerton was able to convince Royal Bank, Scotiabank, and the Ontario government, led by Premier Bob Rae, to participate in his plan, but the federal government was reluctant. Fullerton put his case to the finance minister, Don Mazankowski, who said that before he presented anything to cabinet, he wanted an undertaking that the proposed action would be sufficient to keep O&Y operating without any further assistance.

That concern was reiterated in a follow-up meeting that included Fullerton, Prime Minister Mulroney's chief of staff Hugh Segal, Deputy Minister of Finance Fred Gorbet, and Bank of Canada Governor John Crow. Although Mulroney had been on the CIBC board from 1981 to 1983, when he had been president of the Iron Ore Co. of Canada before going into politics, he didn't have anything like the same enthusiasm for O&Y as the Pierre Trudeau government had for Dome. O&Y was a privately owned family company; Dome was a public company whose very existence had been aided by the Trudeau government's National Energy Program.

Segal told Fullerton that Mulroney wanted a letter of comfort from CIBC saying the $250 million deal would not only ensure O&Y's corporate health but also would alleviate any potential for problems in the Canadian real estate market. Said Segal to Fullerton, "Either they are in good shape and this is just a gap, or

they have a fundamental problem and this won't be enough." Replied Fullerton, "They have a liquidity problem; they do not have a solvency problem. They have all the assets."[24] Throughout April, each side waited on the other; Ottawa for its letter of comfort, CIBC for Ottawa's support. Neither was forthcoming.

As governor since 1987, Crow knew Fullerton well because Crow met him and the other bank CEOs regularly to discuss the economy. "Don Fullerton was an outspoken guy. He didn't mind upsetting the apple cart," said Crow. "He could be quite emotional on occasions in terms of firmly feeling what he talked about. He was a very forceful speaker. Fullerton was basically a good, brave person in terms of what he had to do, because the bank went through quite a difficult period." Crow concluded that any default by O&Y would not have a negative impact on the stock market. "As far as I could tell, the market had already absorbed the issue," said Crow. "There was no surprise to come."[25]

Paul Farrar, who had been involved in the Dome bailout, was once again the bank's point man working with the other O&Y creditors. Farrar sent auditors from Peat Marwick and lawyers from Blake Cassels to London to investigate Canary Wharf. Farrar analyzed their findings in advance of his presentation to CIBC's credit committee in early May. Fullerton, who only attended in special circumstances, chaired the meeting. "All the big shots were there," said Farrar. "I recommended we pull the plug. Everybody started looking at Fullerton after I made my presentation and Fullerton just said, 'Mr. Farrar is correct.'"[26]

With O&Y teetering on the brink of default, during a meeting on May 7, 1992, in a boardroom on Canary Wharf, the company made a proposal to fifty creditor banks that included yet another in a series of restructuring plans. Announced Paul Farrar to the gathering in his usual colourful language, "We aren't going to put another penny into Canary Wharf. This turkey won't fly." After almost thirty years of backing the Reichmanns, Don Fullerton and the bank finally had enough. Court-ordered restructuring plans were put in place on both sides of the Atlantic.

The bank's credit officers recommended writing off the entire $1 billion that Olympia & York owed it. After discussion, the audit committee of the CIBC board

agreed. When the time came at the meeting of the full board for audit committee chairman Richard Sharpe to put his motion, he said he wanted to make a few comments. "We need to make this reserve and I'm going to make the motion, but I want every director around this table to go into this fully aware of the facts of what this really involves," said Sharpe, chair of the audit committee for nine years.[27] "All that money came from depositors, that trusted their bank, that we were going do well with it, pay some interest on it and look after it, protect it, steward it," he said. "While we're not writing it off at this point, we're getting ready to." Sharpe then made the necessary motion; the board approved. As far as Sharpe was concerned, this situation fit into the bank's past history of troubled loans.

Board members should share in the blame, said Hugh Brown, of Burns Fry Ltd., dean of the brokerage firm analysts who wrote research reports about the banks. "CIBC was a bank for big business; it was a corporate lending bank. They prided themselves on being a lender to business. They had large loans to highly cyclical borrowers where they didn't have adequate security and didn't charge the borrower enough. There's just no way there was any allowance for risk or a reasonable return to the bank," said Brown. "There was a flaw and the flaw was that too many of those strong-willed directors were on that board for their own corporate self-interest rather than the greater good of CIBC stakeholders. I would blame it more on the board than the management because if the management was bad, which it was, that's a board's fault."[28]

Board members take another view and point to Fullerton's role. "He assured us repeatedly that he had alerted the company that it was moving too quickly, that it was expanding too quickly," said Marie-Josée Kravis, executive director, Hudson Institute Inc. of Montreal. "In retrospect, why were we helping? We were helping them move too quickly. There was clearly a weakness in risk management and maybe it was the culture of the bank that it was more willing to roll the dice."[29]

Whoever was to blame, the outside world showed little concern about CIBC's decision to write off O&Y's $1 billion debt. Share price slid in advance of the announcement from $27.38 on Monday to $26.50 on Thursday May 27, the day of the announcement by press release. The following day, share price actually

rose $0.13 to $26.63. When Al Flood reported to the management committee about the general response to the special provision, he said there was "no reaction of consequence." Flood added that a meeting with research analysts from the brokerage firms "went well" and there were no unusual activities in retail deposits, at least in the Toronto branches.[30]

The $1 billion provision caused a $440 million loss in the second quarter, the last full quarter with Fullerton as chairman and CEO. For the fiscal year ending October 31, 1992, provisions were increased to $1.8 billion, up from $635 million the previous year. The bank made only $12 million, down from $811 million the previous year. In December, CIBC announced it would reduce employment by 2,500. Except to a few contract personnel, no bonuses were paid for 1992.[31] By comparison, in 1991, 31,000 eligible employees received $26 million under the Team$ Program.[32] Charitable donations in 1992 remained the same as the previous year, about $9 million.[33]

While there were those who claimed that CIBC made loans to O&Y without full access to O&Y's financials, Don Fullerton always maintained that the bank had sufficient information. "I know there were other bankers out there that were chasing [O&Y]. From around the world. And whatever they said — it may or may not be true — but they were chasing in such a manner that I suspect a lot of them are quite embarrassed in their boardrooms," said Fullerton. "I'm certainly not. We had information, we had analysis of what was going on in the U.K., and everybody wanted to steal it."[34]

Paul Reichmann died in 2013, but his dream lives on. Canary Wharf, now owned by Qatar Investment Authority and Brookfield Property Partners, is the largest urban regeneration project ever undertaken in Europe. It boasts a modern and efficient transit service as well as offices, retail, and residential units. Just like Paul Reichmann and Don Fullerton always knew that one day it would.

12

The Handshake Deal

While the majority of CIBC's employees, customers, and business dealings have always been in Canada, international banking has long been an important element of its balance sheet. From the frenetic trading rooms of London and New York to the lush islands of the Caribbean and the office towers of Tokyo and Hong Kong, CIBC has been a major player. "You cannot bring the Canadian picture into focus without looking at the global scene," said Don Fullerton in the bank's 1986 annual report. Fullerton then waxed poetic, saying, "Every maple leaf in Canada is rustled by the trade winds — and by almost every other economic or financial breeze that blows from any corner of the globe."[1]

In January 1986, a year after becoming chairman and CEO, Fullerton attended the European Management Forum in Davos, Switzerland. Founded in 1971, the gathering initially focused on how European firms could match business practices in the U.S. As topics expanded to include economic and social issues, political leaders were invited in 1974 and then, in 1976, leaders from the world's 1,000 top companies. The name was changed in 1987 to the World Economic Forum as proceedings expanded to include a platform for resolving international conflicts as well as a place for dialogue on public-private cooperation.

In March 1986, Fullerton was front and centre at Opportunities Canada, held in Toronto, the country's first-ever international business exchange. Among those present was Prime Minister Mulroney, whose government had renamed the Foreign Investment Review Agency, created by the previous administration, as "Investment Canada" and altered its mandate to be more welcoming. In a keynote speech, with Fullerton at the head table, Mulroney described the sea change in Ottawa's attitude by declaring, "Canada is open for business."

The three-day showcase of Canadian investment opportunities, sponsored by CIBC, brought together foreign investors, Canadian executives, and government officials. During a panel discussion on entrepreneurship, Karim Hakim praised the bank for the support he had received from the manager of the CIBC branch at Yonge and Gould in Toronto, after Hakim emigrated from Iran twenty years earlier. "I cannot forget CIBC's Arthur Badland who gave me money at a time when I had nothing," Hakim told delegates. "After several meetings, he recognized me as a winner." By 1986, Hakim Optical Laboratory Ltd. was Canada's second-largest optical company.[2]

LIKE THE COURAGEOUS EXPLORERS of previous centuries who searched for a northwest passage, CIBC was particularly focused on trade with Asia. The 1968 appointment of F.C. "Bud" Schull, who was the bank's first representative in Asia and based in Hong Kong, demonstrated CIBC's early commitment. Interest was further confirmed with the 1972 secondment of Holger Kluge to the Private

Investment Company for Asia (PICA). Based in Japan, PICA was the private sector version of the Asian Development Bank that had been established to reduce poverty and increase prosperity in the Asia-Pacific region. Other PICA member banks included Royal Bank of Canada, Bank of America, and Chase Manhattan along with several multinational companies. Kluge also spent a year in Singapore before returning to Tokyo to replace Schull as resident representative.

Schull was the first CIBC banker to meet Li Ka-shing, a young and dynamic Hong Kong entrepreneur. Even though Schull had moved to Tokyo in 1970 to open the bank's representative office and was replaced in Hong Kong by Walter Maggs, Li continued to deal with Schull. When Li had trouble obtaining a loan from the hongs — the British trading companies that had ruled Hong Kong for decades — Schull helped arrange a $30 million loan from CIBC so Li could buy an industrial building in Vancouver. Li had first visited Canada in 1968. "I had a good impression of Canada even before I visited, and I was proven right as the country was even better than I imagined," said Li. "I decided that CIBC would be my bank of choice in Canada because it provided outstanding service and was also totally reliable and trustworthy."[3]

Li, born in China in 1928, was a young student in Hong Kong when his father died in 1943 of tuberculosis. As the eldest of twelve children, Li had to leave school to support the family. He worked in factories until 1950 and then started his own business making plastic flowers. By the 1960s, Li was buying land as well as constructing office towers and apartment buildings in Hong Kong.

In 1974, Li and the bank formed a joint venture, Canadian Eastern Finance Ltd. (CEF), for property and investment financing. The agreement was drafted by CIBC's international regional office in Toronto, but Russ Harrison and Don Fullerton negotiated the final elements. They flew to Hong Kong to meet with Li and shake hands on the deal. Within a year, the bank was able to obtain a banking licence and the Hong Kong branch opened in 1975. "The most important feature of this arrangement was that it was done on a handshake and those handshakes are still honoured today over thirty years later," Fullerton wrote in a 2007 memo for deposit in the bank's archives.[4]

President Donald Fullerton cuts the ribbon at the new Hong Kong office in 1979. He is joined by the area manager Holger Kluge (LEFT) and manager Gerald Niesen (RIGHT)

The CEF joint venture was unusual as there was no controlling partner. "The finance company would be a fifty-fifty joint venture with neither the bank nor Mr. Li having a deciding casting vote," said Bill Shurniak, who in 1974 was appointed CIBC's area manager for Asia Pacific as well as the co-managing director along with Li of the new joint venture. "This certainly was a departure from the norm, as in most joint ventures the bank entered into in those days were with other banks and usually didn't exceed 5 to 10 percent," said Shurniak.[5]

Li highly valued his joint venture with CIBC. "It wasn't just an ordinary business transaction. Canadian Eastern Finance also served as a symbol of trust, integrity, and a long-standing, ongoing relationship between two good friends — CIBC, a major international bank, and Mr. Li personally," said Shurniak.

IN ADDITION TO OPERATIONS IN HONG KONG and Tokyo, CIBC already had a merchant bank in Singapore and had been conducting corporate business in Australia since 1972. Martin Corporation Group Ltd., a merchant bank 80 percent owned by the bank, had branches in Sydney, Melbourne, Perth, and Brisbane.[6]

In 1977, Fullerton asked Kluge to devise a strategy for the Asian market. Kluge recommended the bank maintain its office in Tokyo, expand in Australia and Singapore, open an office in Beijing, and create a regional headquarters in Hong Kong to oversee Asian operations. Fullerton approved the strategy and appointed Kluge as vice-president, Asia Pacific, based in Hong Kong.

Kluge's main reason for focusing attention on Hong Kong was to further expand the bank's relationship with Li Ka-shing. From CIBC's earliest days in Hong Kong, its offices had always been close to Li. Li's first company, Cheung Kong (Holdings) Ltd., was in the Bank of Canton Building and so was CIBC. When Cheung Kong erected the China Building and moved there, CIBC relocated to that office tower. "If we were his banker, he wanted us to be close by," said Kluge. "He worked on Saturdays so we had to work on Saturdays."[7]

CIBC financed HK$100 million of the HK$639 million that Li needed in 1979 to buy the controlling 22 percent interest in Hutchison Whampoa Ltd., one of the four large hongs in Hong Kong. "It was a big thing in the market for anyone to finance a transaction of this nature and for the first Chinese businessperson to become owner of a trading company," said Kluge. "That was really the beginning of Mr. Li building his empire. He always called us his partner. As our association with him became more known, it raised the status of CIBC in Hong Kong and in the region as well."

As the bank's Asian reach expanded, CIBC made a US$100 million loan to the Bank of China. The entire agreement was written on one sheet of paper. CIBC's legal department asked Kluge if he were crazy. Replied Kluge, "Trust me. If they don't pay it back, they'll never get another loan from any bank."

In September 1986, CIBC listed its shares on the Tokyo Stock Exchange in order to raise its profile in global financial markets and expand the proportion of foreign owners in its capital base. "All of us at CIBC will look back on this day as

a significant turning point in our development as a global financial institution," Fullerton told a meeting of industry analysts in Tokyo. The bank's Tokyo office was involved in interest-rate and currency swaps, foreign exchange transactions, and the development, sales, and distribution of securities.[8]

That same month, Fullerton visited Beijing and met with Chinese vice-premier Li Peng to discuss trade and economic development. In so doing, Fullerton was among the select few Western business leaders received by the vice-premier who, as the principal architect of the new Chinese economy, controlled all of the key economic portfolios. "I just don't believe that every banking institution in the world is going to spend the time to develop those relationships," said Fullerton. "Those who do spend the time are going to be welcome here."[9] On that same visit, CIBC signed an agreement to become the principal financial advisor to the state-owned China Petro-Chemical Corp. (SINOPEC) on such matters as raising money in international markets, purchasing foreign technology and equipment, and investing abroad in petrochemicals. SINOPEC controlled thirty-nine refineries and petrochemical complexes, employed 720,000 people, and had assets of $15 billion. In 1987, the bank completed is first financing arrangement with SINOPEC, a US$25 million loan, for petrochemical development. That same year, the bank helped finance the acquisition of Carling-O'Keefe Ltd. by Australia's Elders IXL Ltd. CIBC also launched a joint-venture merchant bank, CEF Capital Ltd., in Hong Kong in 1986.

By 1987, CIBC was operating four corporate banking centres in Asia; Tokyo was the regional headquarters of the Investment Bank. In a speech that year to the Canadian Businessmen's Association in Singapore, Paul Cantor, president, Investment Bank, pointed out that Asia had superseded Europe as Canada's largest overseas trading partner. "It is significant that CEF [Capital Ltd.] and our Singapore subsidiary, CIBC Asia Limited, report to vice-presidents based in the region, rather than to our London office as would have been the case a few years ago," said Cantor. "Within CIBC, there are no longer any distinctions between Canada and other countries in terms of market definition."[10]

IN 1984, SHURNIAK LEFT THE BANK at Li's invitation and returned to Hong Kong as finance director of Hutchison Whampoa. That same year, Kluge was promoted to senior vice-president, International operations, in Toronto. "We started with a representative office in Hong Kong and Tokyo with three employees each and no business," said Kluge. "By the end of 1984, CIBC was the pre-eminent Canadian bank in Asia with branches in Tokyo, Hong Kong, and Singapore; a joint venture in Hong Kong with a very successful entrepreneur as well as operations in Australia and over 600 employees conducting profitable businesses for the bank."[11]

In 1987, Li bought Calgary-based Husky Oil Ltd., with CIBC as a 5 percent partner. In 1988, he acquired the 200-acre former Expo 86 site in Vancouver for redevelopment as Pacific Place. As his holdings in Canada grew, Li involved his sons in the business. Richard was controlling shareholder of Gordon Capital Corp. of Toronto; Victor was a partner in Concord Pacific Developments of Vancouver. Over time, Li became the largest individual shareholder in CIBC with just under

Li Ka-shing, Lloydminster, Alberta, 1986.

5 percent. "That link with Li Ka-shing is the most successful relationship we've ever had," said Fullerton. "There is no model in the market we're copying."[12]

In Hong Kong, where the bank's level of activity doubled during the period 1988–93, there were also strong ties with immigrants to Canada. Acting as a bridge across the Pacific, CIBC offered assistance with investments, mortgage financing, tax plans, and information about universities to help them transition to a new life in Canada. In 1993, the bank had more than forty branches in such major cities as Toronto and Vancouver with Chinese-speaking staff to welcome newcomers.[13]

In 2005, Li sold all of his approximately 17 million CIBC shares for $1.2 billion. His connection with Canada, however, endured. "I like Canada and I set up the Li Ka-shing [Canada] Foundation in the hope of making contributions in the areas of education and healthcare," said Li. "Words are not enough to describe my feelings for both CIBC and Canada." Li's relationships continued with some of the CIBC bankers: Don Fullerton and John Hunkin served on the foundation board; Holger Kluge was a director of Husky and Hutchison Whampoa.

WHILE THE BANK'S RELATIONSHIP with Li Ka-shing was highly successful, some international lending led to trouble, specifically loans to the lesser developed countries (LDCs) that fell into financial difficulty during the 1980s. The problem had its roots in the 1973–74 quadrupling of world oil prices; members of the Organization of the Petroleum Exporting Countries (OPEC) became awash in funds known as petrodollars. OPEC needed to invest that money so banks bid aggressively for the funds then loaned those funds to LDCs without accounting for all of the potential risks.

In 1979–80, oil prices took another jump, almost tripling to $35 a barrel, thereby creating more petrodollars for banks to reinvest in LDCs. "The huge capital inflow to countries like Argentina and Brazil was followed by the loss of immense amounts of money on their military establishments and on government corruption," said Robert MacIntosh, president of the Canadian Bankers Association from 1980 to 1990. "The banking rule 'know thy customer' had been broken."[14]

As a worldwide recession took hold in the early 1980s, prices and demand for LDC commodities fell, while inflation and interest rates soared. LDC nations faced a liquidity crunch and were unable either to make interest payments or repay the principal owing. In 1982, Mexico was the first to call for a moratorium on its sovereign debt owed to hundreds of banks. "LDC loans were the single biggest challenge our banks have ever faced," said Burns Fry analyst Hugh Brown. "In 1982, big six Canadian banks had $25 billion of loans to the Third World worth 50 cents on the dollar and they had common equity of $10 billion."[15]

The universal belief, as had been stated repeatedly by Walter Wriston, the influential Citibank CEO, was that while individual and corporate borrowers might default on their loans, countries would not and could not default. Once those beliefs turned out to be ill-founded, Fullerton was among the first to call for industry-wide solutions. "We are looking today at a large number of countries that are experiencing some form of financial difficulty externally. Roughly twenty-five are already in process of attempting to officially reschedule," said Fullerton in a 1983 speech. "We are no longer looking at a Poland with $36 billion in external debt or even a Mexico with $80 billion in external debt. We are looking at a whole raft of countries," he said. "An improved situation among the developing countries is not only important from the perspective of the debt problem, but it is also a necessary condition for sustained economic recovery among the industrialized countries. The world is truly on the horns of a dilemma."[16]

By 1987, the situation had become grave. According to the World Bank, much of the total LDC debt of US$1 trillion was concentrated in six countries: Brazil, Argentina, Mexico, Venezuela, the Philippines, and Chile. As some banks saw their credit ratings reduced, long-term funding costs increased. As a result, the cost of all loans, including private sector bank financing, also rose.

Canadian banks were unable to agree among themselves on the best way forward. In April 1987, Fullerton took matters into his own hands and wrote to Finance Minister Michael Wilson. In the letter, Fullerton argued that the LDC countries should be allowed to return to sustainable growth, but they should not do so by adding more bank debt to their already excessive burdens. Any new

money, Fullerton wrote, should come from agencies such as the International Monetary Fund or the World Bank.[17]

Fullerton also led other bankers in tackling the impact of LDC loans already on the books. In 1987, CIBC increased reserves against LDC debt by $850 million, bringing the bank's total reserves against LDC debt to $1.3 billion. Doing so, said Fullerton, "protects the bank in the event of further difficulties and underscores our commitment to prudence in managing the bank's affairs."[18] As the provisions were increased, CIBC was also able to cut the size of the debt and reduce the range of exposure from twenty-two countries to twelve.[19]

Citicorp followed a similar strategy by writing off $3 billion in LDC loans. An editorial in the *New York Times* supported the approach taken by Citibank and CIBC. "Even if the banks were willing to cycle the savings of the rich countries into poor ones, it would be poor public policy to let them take the plunge. Additional bank exposure in mismanaged economies like Mexico and Zaire could destabilize the entire banking system," said the editorial. "The most promising channels are the multilateral lending agencies, the World Bank and its regional bank counterparts in Asia, Africa, and Latin America."[20]

Despite the fact that the bank had already written off 40 percent of its LDC loans, Fullerton said at the annual meeting in January 1988 that a range of 50–60 percent could be more realistic. In April, Fullerton travelled to Mexico, Brazil, and Argentina to meet with senior government officials and private sector executives. What he learned only confirmed his view that the bank needed to remain flexible but refrain from taking on new debt in any negotiated arrangement. Argentina's total debt was US$55 billion and inflation was running at 178 percent. Brazil's debt was US$109 billion and that country was just emerging from a year-long moratorium on debt payment.[21]

By 1989, despite many rounds of debt rescheduling, the LDC nations were no closer to financial health. A plan devised by U.S. Treasury Secretary Nicholas Brady helped bring about a resolution by exchanging short-term debt for long-term bonds that carried below-market interest rates. The Brady plan also meant

that commercial banks were able to share the debt load with other firms in the financial marketplace.

In the case of Mexico, for example, the Brady plan gave commercial bankers three options. They could exchange their loans for thirty-year bonds at 65 percent of face value with market interest rates; exchange the loans for thirty-year bonds at 100 percent of par with a fixed 6.25 percent coupon; or provide new loans at 25 percent of current outstandings over a four-year period.[22]

Despite the welcome arrival of such broad-based measures, all the Canadian banks had been forced to take substantial losses. Said bank analyst Hugh Brown, "They wrote down their Third World loans over a period of seven years from 1982 to 1989, gradually getting them down to their market value. That seven years to absorb the pain was testimony to the earning power of their domestic retail franchise. They were able to earn their way through that without cutting their dividend."[23]

As a result of Fullerton's early and aggressive action on LDC exposure, CIBC was in better shape than some competitors. Measured as a net exposure to common equity, CIBC was at 24 percent compared with Bank of Montreal at 94 percent and Scotiabank at 82 percent.[24] Despite the ongoing problem of LDCs, CIBC achieved record earnings of $591 million in 1988 — up 37 percent from the previous year. Share price responded accordingly. Along with those of the other Canadian banks, CIBC's shares had been trading below book value. At year-end 1988, the shares were trading at 8 percent above book value and had outperformed the bank index during the twelve-month period.[25]

With hindsight, Fullerton recognized an all-too-familiar pattern. "The great irony about virtually every corporate scandal and disaster which has taken place in the last few decades is that the risks leading to them were usually well known — *but nobody did anything*," said Fullerton in a speech given in 1989. "No one — not executive management, not the directors, and, in many cases, not even the regulators — had the discipline and the fortitude to act *before* disaster inevitably struck. All had the power to act, but none had the will to do so."[26]

In 1989, the bank took a further loan-loss provision of $662 million, meaning that since 1984 CIBC made loss provisions or incurred losses dealing with the Third World debt problem totalling about $2.2 billion.[27] The impact of the final provisions reduced 1989 earnings by $300 million — from $750 million to $450 million.[28] "We led the Canadian banks in setting up country risk provisions for possible losses on LDC debt. By October 1989, CIBC had written off 100 percent of our non-Mexican LDC exposure," Al Flood, president, Corporate Bank, told an audience of analysts in London. "Since then, as we sell our loans, cash proceeds have been used to offset our specific provisions. For example, in 1991, our gross non-LDC losses are estimated at $750 million. But with $139 million expected from the sale of LDC debt, our net charge to the income statement is now estimated at $611 million."[29]

Other banks took similar steps. Royal Bank added $875 million to its provision for LDCs, thereby raising its total to $1.1 billion for fiscal 1989. As with CIBC, the provisioning reduced fiscal 1989 bank earnings: in the case of Royal Bank, by $500 million. Bank of Montreal added $850 million to provisions for a 1989 total of $1 billion, thereby reducing its profit for the year by $595 million.

As the Canadian banks battled to contain their LDC loan losses during the 1980s, their ranking in the global market was diminishing. In the 1970s, Royal, CIBC, Bank of Montreal, and Scotiabank were all among the top fifty global banks, measured by assets. By 1989, the top five global banks, each with more than $400 billion in assets, were Japanese. The biggest in Canada and fifty-fourth in the world was Royal with $115 billion in assets, CIBC was sixty-second with $100 billion, followed by Scotiabank ranked seventy-eighth at $81 billion, Bank of Montreal seventy-ninth at $79 billion, and Toronto-Dominion ninety-sixth at $63 billion.[30] Still, CIBC had managed not only to survive the challenging 1980s but to prosper even when those economic breezes once extolled by Don Fullerton turned into gale-force winds that for a time threatened the entire financial system.

13

The Sun Never Sets

"The international banker is often referred to as 'the man on the move.' This is certainly true in the Commerce." So go the opening lines describing international operations in the 1973 annual report. That year, CIBC's senior executives visited a number of countries in Europe, Africa, the Americas, and Asia. James Bickford's travels took him to Australia, Hong Kong, Japan, the Bahamas and the Caribbean, Sweden, Russia, and several European nations as vice-president, international.

A proposed European strategy, presented by Senior Vice-President and Deputy Chief General Manager Don Fullerton to the executive committee of the board on September 21, 1972, became the basis for a multi-year expansion abroad. "We have the size and general acceptance in the market to participate more actively should we choose," said the report. "CIBC will forego considerable future profitability and will undoubtedly lose some domestic business if we do not more actively involve ourselves in international banking."[1]

Until then, international activity had been minimal. The document pointed out that on average, U.S. banks generated 28 percent of net earnings from foreign nations while CIBC's foreign activities contributed less than 10 percent of gross earnings in 1972. Moreover, some Canadian competitors were already well ahead of CIBC. Royal and Bank of Nova Scotia each had foreign currency loans of about $1.4 billion; CIBC had $900 million.[2]

In 1973, the bank followed the report's recommendation by establishing a regional office in London. At the same time, CIBC opened a regional

CIBC's Grand Cayman office, 1977

CIBC West Indies Limited business centre in Warrens, St. Michael, Barbados, 2000.

office in Nassau for the West Indies, where it had been active for more than fifty years, initially because of the Atlantic trade in sugar, rum, and coffee. Operations included twenty-four branches in the region.

The aggressive steps on both sides of the Atlantic showed immediate results. After-tax earnings from international more than quadrupled from $6 million in 1973 to $28 million in 1976. That same year, the office in Brussels was closed and replaced by a representative office in Amsterdam; offices or subsidiaries were opened in Singapore, Hong Kong, and Mexico City. By 1980, CIBC was in twenty-four countries around the world through ninety-four branches, fifteen offices, six trust companies, and three agencies.[3]

Robert J. Ford, special representative, (LEFT) and Gerald A. Jenkins, assistant agent of CIBC's New York agency (RIGHT) in front of the New York Stock Exchange.

By the end of 1981, the bank had nearly $6 billion in loans to residents of the U.S., compared to $4 billion a year earlier, with emphasis placed on developing customized service packages for corporate clients. A supervising office was set up in New York to administer all the bank's activities in the U.S. By 1985, CIBC had agencies in Atlanta, New York, and San Francisco; limited state branches in Chicago and Pittsburgh; and representative offices in Dallas, Denver, and Houston.[4]

Some bold ideas for expansion in the U.S. never came to fruition. With the

Timothy D. Tracey, representative, CIBC's New York agency

bank already established in California and the Pacific Northwest, it was suggested that the bank could cover the entire Pacific coast if there were offices in Alaska. Chief Inspector Alex Broomfield was dispatched to see if Alaska made any sense; it didn't. By 1982, the bank had sold its retail branches in California, in keeping with its focus on the corporate market.

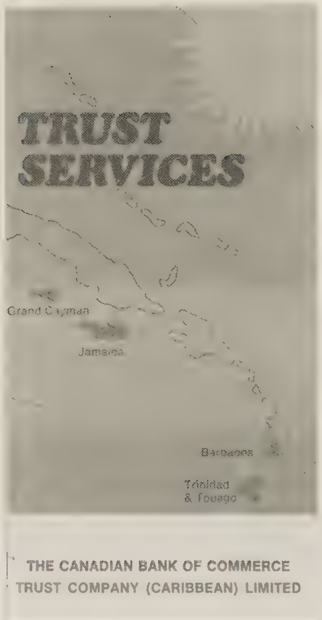
OTHER FAR-OFF CLIMES were more compelling. When Bud Bannerman joined the bank in 1953, the propelling cause was the same as a lot of other lifetime bankers: someone had admired his talent and made the recommendation. In Bannerman's case, it was a fellow member of his church who worked at the Bank of Commerce. Bannerman rose through branches in Toronto, Ottawa, and Oakville, Ontario, to become superintendent of business development in 1975 when the bank approached him about going to Jamaica.

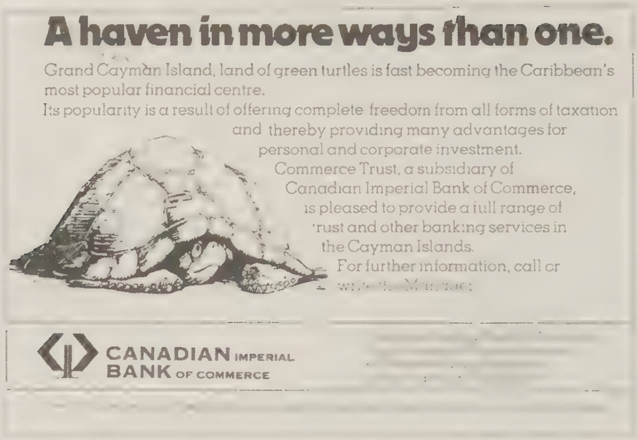
As the first managing director, Bank of Commerce Jamaica Ltd., Bannerman was to oversee the incorporation of the bank — with its 300 employees in sixteen branches — in order to allow public ownership. Negotiations with the government of Jamaica led to the transfer in 1976 of business to a locally incorporated bank with equity participation by the investing public. A celebratory reception was held at the Terra Nova Hotel with guest of honour Florizel Glasspole, the governor general of Jamaica, as well as many Toronto-based executives.

Bud Bannerman (RIGHT) shows off Jamaican bank notes issued by The Canadian Bank of Commerce. FROM LEFT: W.J. Wilson, Deputy Governor, Bank of Jamaica; Esmond Kentish, General Manager, Bank of Jamaica; and J.W.P. Krukowski, CIBC Area Manager.

Equally memorable for Bannerman were the twisting mountain roads that made driving hazardous. Bannerman had only one accident during his time in Jamaica. Van "Crash" McKenzie, manager of a number of branches including Montego Bay, held the record: he totalled seven vehicles. In second place was Kingsley Young, manager of the Port Antonio branch, with five accidents. But Young held the record for the number of accidents in a single day: two. He rolled his car on the way to work in the morning, then borrowed the accountant's car to go home for lunch and rolled that one, too.

The bank came to a similar local ownership arrangement in Trinidad and Tobago as had taken place in Jamaica. By 1982, CIBC's interest in Bank of Commerce Trinidad and Tobago was less than 49 percent as a result of the sale of three million stock units to nationals of that country.[5] In 1994, the bank continued the reorganization of the Caribbean through consolidation into CIBC West Indies Holdings Ltd. and by offering shares of the company to regional investors and Republic Bank Limited, the largest bank in Trinidad and Tobago.





The Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited.

In 1975, after ten years in the Cayman Islands, CIBC moved out of premises in the Kirk Plaza Building into its own $1.5 million building. Staff, previously split in two offices, occupied the main floor; a machine room was situated on the second floor and the remainder of the building housed the Canadian Imperial Bank of Commerce Trust Co. (Cayman) Ltd. On the third floor was a staff lunchroom and extra office space for rent.[6]

The bank actively backed community programs in the West Indies such as Junior Achievement, sports, and environmental projects. At one point, Guy Harrison wrote a column in the *Caymanian Compass* about the bank's sponsorship of the annual Valentine's Day Mile on the Caymans that attracted more than 350 runners. "What makes this event unique from my perspective is that the people behind the race actually seem to do it for all the right reasons. They don't sprout ulcers if the *Compass* doesn't publish 'enough' photos. Never once have I been approached by them with requests or demands to promote CIBC in my reports.

I'm constantly left wondering why other sponsors don't show similar class," he wrote. "I know that CIBC and the many volunteers don't put on the Valentine's Day Mile each year hoping for praise or gratitude, but thanks anyway."[7]

By 1992, 2,000 employees oversaw a loan portfolio in the West Indies of almost $900 million while providing retail and corporate banking services in Antigua, the Bahamas, Barbados, the Caymans, Jamaica, St. Lucia, St. Vincent, and Trinidad and Tobago. In addition, the bank offered full trust and mortgage services in Trinidad, Barbados, Jamaica, the Caymans, and the Bahamas.[8]

IN 1979, Bannerman was posted to London where CIBC's roots can be traced to 1862. That was the founding date of the Bank of British Columbia, headquartered in London, with branches on the Pacific coast of Canada and the U.S. The Commerce acquired the Bank of British Columbia in 1901. "The people in London were incredible because they're all the hand-picked expatriates of all the best banks in the world," said Bannerman, who was chosen by the bank to attend the annual international banking summer school at Cambridge. Each international bank sent one individual to attend the lectures and study sessions during the two-week program. "At that time, CIBC had become quite eminent in doing Eurocurrency syndicated loans, so if we started to talk about leading a syndicate we were taken seriously, and we did lead a lot of syndicates in a very senior position," he said. Among his deals was arranging bank financing for the purchase by Olympic Airways, the flag carrier airline of Greece, of flight simulators made by Quebec-based CAE Inc.

The bank opened a branch in Paris in 1974 and later incorporated a merchant bank there as well. In 1978, it joined Hambros Bank Ltd., one of the largest merchant banking groups in the United Kingdom, to form an international investment banking company called CIBC Ltd., with the bank holding a majority ownership position, eventually increased to 100 percent. The enterprise provided access to capital markets for both investors and borrowers.

Not all efforts at expansion were successful. In explaining why CIBC tried but

failed to join a particular consortium, James Bickford said that "none of them [Société Financière Européenne and the like] would have us, and for good reason, as there wasn't much we could bring to the party." The bank did join International Energy Bank, a consortium formed in 1973 — with Bank of Scotland, Barclays, and Republic of Dallas as the main partners — to specialize in energy loans.[9]

CIBC's London trading room helped clients with trading and investment interests in Canadian dollar securities including foreign exchange, money markets, fixed income, equities, and capital markets. It also provided trade finance as well as credit and advisory services, particularly in sectors of expertise such as oil and gas, media, and communications.

In 1983, the bank established a global treasury division responsible for the marketing and delivery of all treasury-related business worldwide. A merchant banking and project financing division was also created to work with similar businesses in London and Australia. In addition, it participated in syndicated financing for major international borrowers in Australia, New Zealand, Malaysia, South Korea, and Hong Kong.

Canadian Imperial Bank of Commerce Suisse S.A. was inaugurated in Geneva in 1986 to conduct private banking and capital market activities. The representative office in Zurich, opened twenty-five years earlier, continued to deal mainly with investment opportunities in Canada. In Geneva, there was no banking hall to serve the general public; business was carried out in private rooms for clients with at least $100,000 in assets on deposit. Services included investment loans, safekeeping, and portfolio management. The bank also opened a finance company, CIBC Finanz A.G., which enabled it to book Swiss franc transactions for corporate clients in Canada.

In 1975, CIBC opened a representative office at Manama, Bahrain, the bank's first physical presence in the oil-rich Middle East. Business with the Communist Eastern Bloc countries was modest but did include financing Canadian Wheat Board sales. International earnings soon began to have an impact on overall operations. In 1975, international earnings were $21 million, a gain of 147

percent over the previous year while domestic earnings were $113 million, up 22 percent from 1974. By 1985, international earnings were $131 million while domestic earnings were $230 million.

Representative offices were opened in São Paulo, Brazil, in 1974, and Buenos Aires, Argentina, in 1979. São Paulo "never stops, it throbs, hums, beats, and pulsates," said Peter Hughes who was there from 1985 to 1992. "I never saw a place where so much was possible. CIBC dealt in debt swaps, debt replacement, early retiring of debt, Euro-cruzeiros, all motivated by the external debt levels and the country's inability or lack of desire to service. We dealt with estate planning, private banking, trusts, and other such markets."[10]

Walter Maggs spent nine years from 1974 to 1983 in Australia, where, he said, there was "a remarkable resurgence of interest in the development of Australia's and New Zealand's natural resources. Projects costing many millions of dollars came on stream, and the bank, by reason of its experience in the financing of such developments in North America, succeeded in the face of worldwide competition from other banks, in achieving senior and supporting management positions in a number of consortiums."[11]

In 1977, the bank acquired an interest in Martin Corp. Ltd., a well-established Australian merchant bank. By 1984, it owned 100 percent of the entity that had been renamed CIBC Australia Ltd. With head office in Sydney and branches in Perth, Melbourne, and Brisbane, activities included participation in an offshore oil field banking syndicate as well as financing construction of the Palace Tower, the tallest building in Perth.[12] For a time, CIBC Australia was ranked among the top five merchant banks in the country.[13]

Following the 1986 realignment by Don Fullerton of the bank into strategic business units (SBUs), "international" no longer existed as a separate division. Each SBU had a global mandate and was responsible for developing its own strategic, organizational, and financial plans. The West Indies, for example, became part of Individual Bank.[14] While the SBU structure may have functioned well in North America, international markets were more volatile and required special

treatment. In 1990, regional and product expertise were modified into one international team with executive vice-presidents in the field appointed to run the three regions: Australia, Europe, and Asia.[15]

THOSE INDIVIDUALS WHO GOT AHEAD at CIBC usually spent some time working outside Canada. In 1969, John Hunkin graduated from York University with an MBA and was offered jobs at both TD and CIBC. CIBC had about one-third as

CIBC's New York office in 1981. BACK ROW, FROM LEFT: Euhoe Park, manager, administration; Lorne Robbins, inspector, credit, Sandy Delaney, assistant manager MIDDLE ROW: Victor Conte, manager, personnel; Victor Garcia, manager, market research; John Hunkin, general manager; Thomas Shakespeare, controller; Kenneth Chalmers, manager, treasury; Gerald Branch, inspector, credit, Gerald Beasley, assistant general manager FRONT ROW, FROM LEFT: Al Flood, vice-president, US operations; Jane Cameron, manager, automated banking.

many MBAs as TD so he joined CIBC where he thought his chances for promotion were better.[16]

In the mid-1970s, Hunkin was assigned to conduct a three-month study of financial activities in New York, Chicago, and California, thereby gaining expertise in U.S. banking laws. He discovered that the bank could take deposits through a branch in Oregon, for example, do certificates of deposit, and sell them through the New York office thereby creating another source of U.S. dollar funding for loans.

In 1976, Hunkin went to Britain as assistant manager in the London main office for eighteen months and then was named manager, international loan unit, heading up Eurodollar financing for a further eighteen months. "That was a big learning experience for me, just learning about yourself. I also got to know a lot more people in the bank at more senior levels," said Hunkin.

By 1985, CIBC had $76 billion in assets and employed 33,587 people of whom 7.4 percent worked abroad.[17] Internationally, it was focusing on investment banking, private banking, trade finance, and commercial banking. Investment banking was being carried out by CIBC Ltd., the bank's London merchant bank where Eurocurrency facilities for Canadian and international clients had been extended to include the yen and Norwegian kroner, as well as Australian, American, and Canadian dollars. In 1987, the U.K. offices underwrote £60 million for the construction of the tunnel under the English Channel.

In 1979, the bank created a six-city network of international banking centres across Canada to support the work of the trade finance division and serve the growing needs of Canadian exporters. In 1983, the bank established a global treasury division by amalgamating the former finance and treasury divisions of the international region. When Al Flood became president of Corporate Bank in 1986, he held the same optimistic views toward international business. "Our intention is to become one of the most successful international financial services institutions. To achieve that ambitious target, we intend to pursue several key strategies," said Flood. "CIBC does not see itself as simply a Canadian bank. We see ourselves as an international financial institution based in Canada. Yes,

69 percent of our assets are in Canada, but the globalization of our business units allows us to offer a product menu as diversified as any in the world."[18]

Typical deals included acting as the agent bank in 1985 for a US$325 million ten-year credit facility on behalf of a partnership between Equitable Life Assurance and Mendik Realty Co.[19] In 1988, CIBC acted as the agent bank and provided interest rate hedging for the financing of the leveraged acquisition of York International Corp. of York, Pennsylvania.[20] By 1989, U.S. Corporate Bank was focusing on the communications and entertainment sector, including cable, broadcast, publishing, and cellular.[21]

In 1986, CIBC was the first Canadian bank to form a foreign investment and industrial development department. The staff of six sought new and profitable corporate business from investors outside of Canada for all of its strategic banking units, including branches and corporate banking centres. The group provided information and helped set in motion the procedures for commencing business in Canada, including contacts with lawyers and other professionals, at no cost. "The result is that if we provide good service to people when they're making inquiries, we'll end up getting the investor's banking business," said Paul De Vos, manager responsible for the Americas.[22]

Trade financing facilities existed in Toronto, London, Hong Kong, and Sydney. In 1990, for example, the trade financing division completed transactions worth $2.8 billion while serving the largest base of trade finance customers of any financial organization in Canada. Trade finance was also the delivery agent for a Canadian International Development Agency (CIDA) project in Thailand known as the Enterprise Collaboration Project, through which CIDA made available $15 million over five years in a program managed in Bangkok by the bank to support joint ventures between Canadian and Thai entrepreneurs.[23]

With assets of US$105 billion in 1991, CIBC was the sixth-largest bank in North America, after Citicorp, Bank of America, Chemical, NationsBank, and Royal Bank of Canada.[24] But a worldwide recession put severe strains on all banks, including CIBC. The Bahrain representative office and operations in New Zealand were both closed in 1989. Others followed. "We have not been able to

generate a satisfactory return in Australia and we have closed our offices in Perth and Melbourne," said Flood in 1993 after he'd become CEO. The Sydney office was closed in 1995. "In Europe, we have identified our core client base. It basically consists of European multinational companies operating in North America and North American multinational companies operating in Europe," Flood said. "These clients want services delivered from our trading room, our corporate finance group, and our industrial specialists based in London. As a result, we are closing our offices in Paris, Frankfurt, and Milan. In future, we expect to generate higher revenues with less overhead by following a very focused and disciplined approach in Europe."[25]

Private banking and trust services in Guernsey, Switzerland, the Caymans, Nassau, London, Hong Kong, and Singapore were less affected by the recession. Target markets for private banking continued to be high-net-worth individuals in Asia, Europe, and the Middle East. In 1997, CIBC won a US$3 million contract from the World Bank and the European Bank for Reconstruction and Development to help modernize Moscow-based Vozrozhdeniye Bank, one of Russia's leading commercial and retail banks with 4,500 employees and 130 branches and offices. "Russia is an exciting market for trade and investment opportunities," said David Robbie, vice-president of trade finance. "Improving our knowledge of and developing relationships with Russian banks is important in providing support to clients doing business in the region."[26]

By then, borders, geography, and time zones had become almost meaningless. "The market never closes, and parties to transactions can be located anywhere," said Flood in 1995. "This is a small country. The Canadian-based financial services industry is much larger and more sophisticated than justified simply by the size of the domestic markets. That's an advantage for providers and customers alike, but it is not inevitable. Maintaining that advantage means continuing to keep pace with, or out-pace, international developments."[27]

Despite closures in specific countries, by 1999, international had grown to such an extent that it comprised 42 percent of the bank's $250 billion in assets. U.S. assets were $65 billion and other foreign assets were $40 billion for a total

of $105 billion, a far cry from the $700 million in foreign currency loans in 1972.

Such progress came about because the bank constantly adapted to changing times. On January 1, 1999, eleven European nations created a central European bank and a single currency — the euro. For two years prior to that date, CIBC World Markets had been preparing for the euro by using a special project team managed by London CIBC staff and consultants from accounting firm Price Waterhouse. "The biggest impact initially will be in the wholesale financial markets," said David Minter of CIBC World Markets. "Retail markets, including cash and notes in circulation, are unlikely to convert until 2002."[28] Come what may, CIBC would always be ready to take on the world.

14

Growing with Gundy

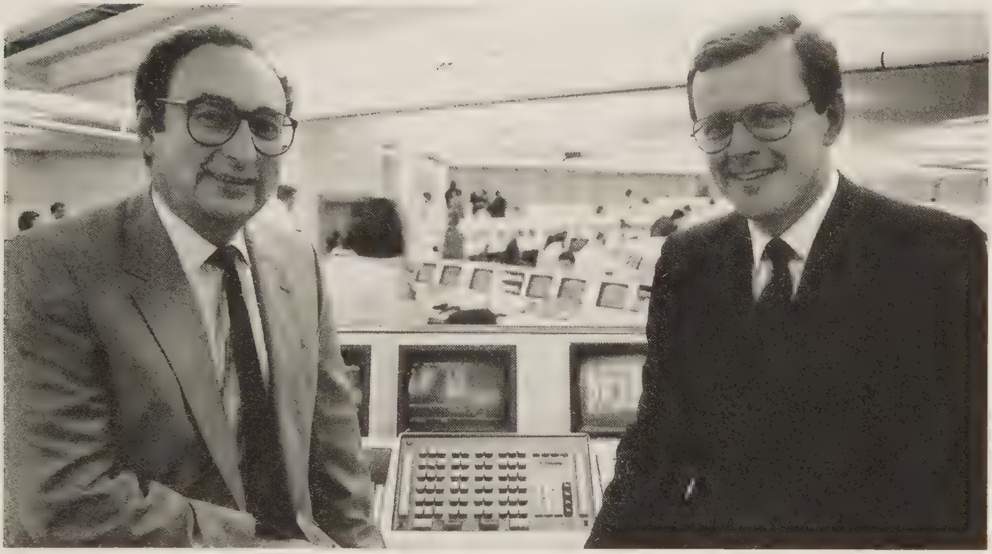
The four pillars of financial services in Canada – banking, insurance, trusts, and securities – were traditionally run separately with no cross-ownership allowed. But, by the mid-1980s, borders were becoming blurred. "Insurance companies are competing for deposits with banks. Securities firms offer chequing services. And trust companies are pushing hard to enter freely the commercial loan market," said Don Fullerton in January 1986. "It seems that in financial services everybody wants to get into everybody else's business."[1]

Fullerton argued that Canada already had plenty of competition: 20,000 outlets operated by 4,000 different financial institutions including sixty-seven chartered banks, scores of investment dealers, 130 trust and mortgage loan companies, nearly 600 insurance companies, and more than 3,000 credit unions and other co-operatives. "Just because competition is good," he said, "does not mean a lot more competition is bound to be a lot better."[2]

By the 1980s, Toronto had gained financial pre-eminence over Montreal, rulers since the days of the fur trade. The latter began lobbying Ottawa to designate Montreal as an international banking centre where offshore banking and trust services could be conducted without attracting taxes. When the idea was approved in February 1986, Ottawa announced that both Montreal and Vancouver had been granted international banking centre status. (CIBC opened an international banking centre in Vancouver in 1989.) In June, the government of Ontario, feeling slighted that Toronto had been left out, declared that banks, trust companies, and foreign financial firms could own up to 30 percent of any broker or investment bank domiciled in the province.

Ottawa then trumped Ontario by declaring that any bank, trust company, or life insurance firm could own or create an investment bank. In Britain, similar financial services deregulation in October 1986 was called the "Big Bang." Canada's efforts in June 1987 became known as the "Little Bang." Not since the 1967 Bank Act revision, which allowed banks to make consumer loans and conventional mortgages, had there been such a tectonic shift in financial services.

CIBC had already been active. In May 1987, the bank announced that rather than buy an existing brokerage firm, it would create its own, CIBC Securities Inc. In so doing, CIBC became the first Canadian bank to operate an in-house investment dealer. CIBC Securities was headed by John Hunkin, who had spent eighteen years with the bank. It sold bank-managed mutual funds, provided discount brokerage services, and planned to offer a full-service operation. In Britain, merchant banking subsidiary CIBC Ltd. specialized in underwriting, distribution, and trading of Euro securities. CIBC Australia Ltd. acquired a 50 percent interest in stockbroker D&D Tolhurst Ltd.



Paul Cantor and John Hunkin at the opening of CIBC Securities in 1987.

In July 1987, CIBC broadened its investment banking services by becoming a fifty-fifty partner with Gordon Capital Corp. in a new merchant bank called Gordon Investment Corp. to do leveraged buyouts. Said Hunkin, "We are thinking of taking principal positions in companies where we think the assets are undervalued and there is an opportunity to do some restructuring and, in fact, improve the value of the company. We aren't going to be doing cookie-cutter deals."[3]

Competitor banks took the more acquisitive approach. In June 1987, First National Bank of Chicago was the first to make an offer to buy a Canadian investment bank when it agreed to pay $270 million for a 35 percent interest in Wood Gundy Inc. Over the next few months, other major banks struck deals to buy investment banks. Bank of Montreal acquired 75 percent of Nesbitt Thomson Deacon Inc. for $292 million; Scotiabank paid $413 million for 100 percent of McLeod Young Weir Ltd.; Royal paid $385 million for 75 percent of Dominion Securities. Toronto-Dominion, which had previously launched Green

Line Investor Services, a discount brokerage, remained focused solely on the discount business by acquiring Gardiner Group Stockbrokers Inc.

Then, on October 19, 1987, the worst one-day drop in stock market history shook the financial world. In Toronto, the benchmark TSE composite index fell 407 points, down 11 percent. In New York, the Dow Jones industrial average dropped 508 points, or 23 percent. The crash hurt all financial services firms, but Wood Gundy fared worse than most because it was the lead Canadian dealer in the privatization of British Petroleum Co.

The British government declared that Goldman Sachs as the global underwriter and Wood Gundy as the lead underwriter in Canada could not withdraw from the deal despite there being no market for the BP shares they'd been allotted to sell. "There was no option," said Ed King who joined Gundy in 1957 and rose to vice chairman. "There we were with a cost of unsold inventory. We had a whole bunch of positions, but BP was the dramatic one, and it was the one that pushed us to the brink."[4] Facing a loss of as much as $150 million, Gundy reduced salaries and laid off 150 people from a staff of 2,100.

The founders of Wood Gundy: James Henry Gundy (LEFT) and George Herbert Wood (RIGHT), 1917.

As markets recovered, it was apparent that losses wouldn't be as severe, but regulators worried that Gundy's level of capital, which was its financial underpinning, remained far too low. Gundy, founded in 1905, had long been recognized as Canada's leading investment dealer at home and abroad. Now, it desperately needed a cash infusion.

In November, King turned to Jack Cockwell, executive vice-president and chief operating officer of Brascan Ltd., a conglomerate with holdings in firms such as John Labatt Ltd., London Life Insurance Co., and Great Lakes Group Inc., an invest-

ment and financial services company.[5] Cockwell and Great Lakes CEO Ken Clarke met with King who told them that Gundy needed $132 million to meet all the capital requirements demanded by various regulators.

In fifteen minutes, they struck a deal for an unsecured loan from Great Lakes to cover the shortfall. "There was no sense in taking security because that was part of the capital they needed," said Cockwell. "We didn't push on rates or anything like that. There was no kicker in it for us. There wasn't any $5 million fee. That wasn't the purpose. It was a relationship-building exercise."[6]

Official concerns had reached such levels that regulators showed up at Gundy later that day. King explained he'd fixed the problem. When asked how much equity Gundy had given up, King replied, "We didn't give any equity, there's no change in ownership." When asked why anyone would do that, King said, "Because they care more about the Canadian investment industry than you do."

Despite the timely backstop, First National Bank of Chicago pulled out of the Gundy acquisition in December. The mood at Wood Gundy was bleak. "It wasn't entirely clear that anybody was in charge of the boat. Some of the younger important partners moved on," said Wayne Fox, director of fixed income and equities at Wood Gundy. "The ones that stayed were the ones that either didn't have the opportunities they would have liked and/or they were more determined to put the ship right."[7]

Meanwhile, events were conspiring to yoke CIBC with Gundy. First, regulators cut the fifty-fifty arrangement in the CIBC-Gordon joint venture to a 9.9 percent bank ownership because of concerns over a bank holding long-term investments in companies. Second, Fullerton realized that the capacity to create an in-house investment dealer had diminished. "It had become abundantly clear that it would be very difficult to build an investment banking capability from within once most of the talent on the street was tied up with multiyear contracts by their new bank owners," said Fullerton.[8]

In late December 1987, Paul Cantor and John Hunkin lunched at Winston's, an upscale restaurant where some business leaders had tables reserved for them on a daily basis. Hunkin had been asked by Wood Gundy Chairman Ted

Medland if CIBC was interested in buying the firm. "We can buy Wood Gundy now at a price that makes a lot of sense," Hunkin told Cantor. "We should talk to them."[9] Hunkin and Geoff Browne, senior vice-president of investment banking, aided by a twelve-person team from accounting firm Coopers & Lybrand, pored over the financials of Gundy with its 1,950 employees in Canada and six international locations: London, New York, Tokyo, Hong Kong, Paris, and Barbados.

On the evening of January 22, 1988, Cantor delivered the bank's offer to a gathering of the more than one hundred Wood Gundy partners. A competing offer from a representative acting on behalf of an Australian merchant bank was also presented. The reaction to CIBC's proposal was mixed. "In those years, the Commerce was not at the top of the heap in the context of the banking fraternity," said Fox.

In addition, it was difficult for Gundy partners to cede personal pride and professional power. "It's a very emotional decision. It's like selling your house. A partnership is a lot different than being an employee," said Fox. In the end, they concluded that they needed access to the bank's bigger balance sheet in order to survive. The CIBC offer was accepted.

When the deal was announced on January 26, 1988, CIBC agreed to pay a bargain $190 million for 65 percent of Gundy, thus valuing the entire firm at about $300 million.[10] First Chicago's offer of $270 million for 35 percent meant that Gundy had lost almost two-thirds of its worth in seven months. CIBC then conducted weeks of further due diligence, from human resource policies to real estate leases. But Fullerton also asked Hunkin to consider something else. "You've got accountants and lawyers who could do the legal and financial due diligence," said Fullerton. "I want you to do the human due diligence and what I want to know is: Do they still have a soul?" Recalled Hunkin, "I thought that was incredible wisdom, so that's what I was doing, and I'd say I saw the potential for a soul to come together again, but the place was a wreck."[11]

Fullerton explained what he meant by the soul of an institution in a speech delivered in 1991. In Fullerton's view, the best way to measure the current health and future success of an organization was through the chief executive officer.

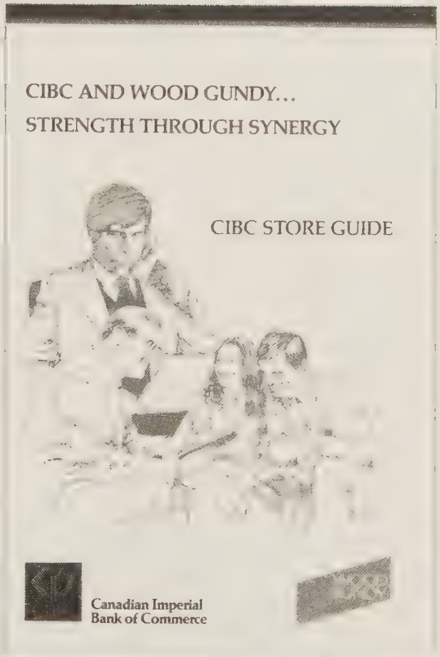

February/March 1988

Closeup

News & events featuring the people of Wood Gundy

CIBC Wood Gundy Inc.

Wood Gundy's employee newsletter announces its agreement with CIBC, February/March 1988.



CIBC Store Guide, 1988.

Using "the window at the top" as a metaphor for the CEO, Fullerton said, "Be demanding. Be intrusive. Insist that the window at the top be transparent, not opaque. Spend as much time looking at the leaders of an organization as you would its ledger. For there you will find the true sources of its health or discover the real causes of its malady and malaise. The window at the top, through it you can glimpse not only the heart of the company but also its very soul."[12]

In addition to such esoteric soundings, other months-long negotiations between the bank and Gundy involved deciding who would run each of the various divisions. When Cantor suggested someone from the bank should head the fixed income desk, King refused, saying, "I don't care if you're offering Bernard Baruch as your candidate, this one needs to be run by the Wood Gundy guy."[13]

Cantor backed off even though he had no idea who Bernard Baruch was. It was only later that he learned Baruch was a successful American financier who advised numerous U.S. presidents including Woodrow Wilson and Franklin D. Roosevelt. Wood Gundy partners ended up running fixed income and corporate finance, while CIBC people headed foreign exchange and money markets. Investment management and capital investment were merged.

Originally, Fullerton thought the Wood Gundy name should disappear. Cantor believed otherwise and asked for a meeting with Fullerton to put forward his case. Fullerton's assistant and long-time banker James Bickford said to Cantor, "I've never actually seen someone get hung, drawn, and quartered, so do you mind if I sit in on the meeting?" Cantor had hardly begun his pitch when Fullerton agreed, saying he'd just returned from a trip to Latin America where he'd learned that Wood Gundy was far better known than CIBC.

Ted Medland with Charles L. Gundy in Wood Gundy's head office in Toronto, Ontario, mid-1970s.

Cantor told the bank board in April that buying Wood Gundy meant CIBC could offer investment banking products that would otherwise have taken years to develop. "We will also acquire a franchise that is a household name. We have provided Wood Gundy with the financial strength that results from an association with a large commercial bank, and we have named the new firm CIBC Wood Gundy in order to emphasize this."[14]

When the deal closed in June 1988, Ted Medland retired as chairman and Ed King was made chairman and CEO of CIBC Wood Gundy. John Hunkin was named president and chief operating officer. Integration was made easier by the attitude of Gundy's continuing leadership. "I would prefer not to have a bank as a partner," King told Fullerton. "I would have preferred if the world were different and we were independent, but we aren't. We're now owned by you and we're going to be committed to being the best purchase you ever made."[15]

After the acquisition, Gundy employees could see cultural differences with their new partners. "We're a lot more independent, more free-wheeling, so we weren't used to a ton of supervision," said Bob Vandewater, who joined Wood Gundy in 1964 and worked with institutional and private clients in Manitoba and Saskatchewan. "The great news was that they kept Wood Gundy people at the head of Wood Gundy when it was CIBC Wood Gundy and it worked very well. There was adaptation on both sides."[16] CIBC executives gradually took charge. In 1990, Hunkin became CEO; King left in 1993. Geoff Browne became managing director and one of the founding executives of CIBC Wood Gundy Capital, the first joint merchant bank operation formed by a major Canadian bank and its investment dealer.[17]

In 1994, CIBC restructured its corporate and investment banking businesses into a single organization. In 1995, the name was changed to CIBC Wood Gundy Securities Inc. "This course of action received considerable negative publicity and negative analysis from the street," said Fullerton in a memo written in 2007. "Looking back, this was the right strategic decision and after several years the other banks gradually followed suit."[18] The Royal-Dominion Securities arrangement was typical. Said Dominion Securities Chairman and CEO Tony Fell, "We

were over in Commerce Court South and Commerce Court East and when the deal closed in 1988 [Royal Bank chairman and CEO] Allan Taylor came over, did the tour of the building, and met a whole bunch of our people, and there was a bit of a celebration, but he never came back in that building. We stayed there until 1996."[19]

IN JANUARY 1990, Gundy agreed to acquire the retail securities brokerage business of Merrill Lynch Canada Inc. Adding Merrill's 264 registered representatives in twenty offices across Canada to Gundy's 385 registered representatives in thirty-nine offices meant that Gundy became Canada's largest retail sales force. (In 1998, the U.S.-based Merrill Lynch reentered the Canadian brokerage market by acquiring Midland Walwyn Inc. In 2001, CIBC paid $550 million for the retail assets of Merrill Lynch Canada, in effect buying the firm for the second time.) "The '90s were about who got what was available," said Hunkin. "We did all right ultimately with Wood Gundy. We got some good people, a good core of a business, the Merrill Lynch retail operation and some good management from that. They know how to run a retail broker."[20]

In 1990, the trading rooms merged. Investment Bank employees in Commerce Court West moved, along with their Wood Gundy counterparts, to occupy nine floors in the newly erected BCE Place across Wellington Street from head office. The bank's trading room in Commerce Court West, just opened in 1987 at a cost of $15 million, was closed. An integrated trading room with 200 computer stations was created as part of the new space that included a circular staircase between two floors, a feature similar to the previous Gundy offices in Royal Trust Tower. By the end of 1991, CIBC owned 100 percent of Wood Gundy, up from 65 percent at the time of the acquisition.

The Merrill deal, integration stress, and rationalization costs affected the bottom line. In 1990 — a year when the bank reported record earnings of $802 million — Wood Gundy reduced CIBC's net earnings by about $58 million. In response, operating costs at Gundy for 1991 were cut by $40 million largely through a reduc-

tion in the number of employees by almost 1,000, including 250 transferred to CIBC.[21] In 1991, Wood Gundy contributed $43 million to CIBC's earnings.[22]

While profitability improved, poor performance caused Wood Gundy to lose market share, according to figures cited in a Harvard Business School case study. In 1988, when Wood Gundy's corporate underwritings were $2.3 billion, the firm stood first among investment banks with 15.3 percent of the market. Dominion Securities (DS) was second with $1.9 billion and a 12.2 percent market share. By 1991, DS and Gundy had traded places. DS had almost doubled its underwritings to $3.6 billion for a 13.6 percent market share while Gundy's business had grown only marginally to $2.6 billion, good for 9.8 percent of the market even though the market itself had grown 70 percent over the same time period.[23]

In addition, there was a continuing culture clash. Commercial bankers resented the fact that in good years investment bankers received annual bonuses up to five times a banker's base salary. Fairness improved later when stock options were introduced. There was also stress at the branch level. "At the beginning, Wood Gundy and the bank officers, we didn't agree," said Carole Bachand, who worked in the Rue Principale branch in Granby, Quebec. "They weren't our partners like they are today. They were more like our enemies because they were saying that we didn't know anything."[24] Bachand took the Canadian securities course in order to be able to help bank clients with financial planning. About 70 percent of the branch clients with investments were happy dealing with bank employees, she said. The wealthier 30 percent worked with Wood Gundy advisors.

Moreover, the bank's corporate culture seemed stodgy by comparison with its competitors. "When I got to CIBC, I was surprised and disappointed to find that the culture was very old-fashioned. It didn't have a global perspective," said Scott Carson who joined CIBC in 1987 as general manager, corporate group, after working as the head of Quebec region for Chemical Bank. "Rather than Monday morning global calls from banks, branches, and offices all over the world — which I had become accustomed to at Chemical — to talk about deals that were going on in the marketplace, things at CIBC were very, very domestic and very local within that domestic environment."[25]

CIBC's main branch in Sault Ste. Marie was the first to share its space with a Wood Gundy office.

Change, however, was coming. "By the time I left that division to go to corporate finance in 1991, everybody coming in was new," said Carson. "You could see it was the point at which the old CIBC was beginning slowly to make that change toward a much faster, higher velocity, more skill-based recruitment. It was also a period of time during which a lot of restructuring took place and a lot of the bank's VPs were looking for work."

Reconciliation and respect increased between CIBC bankers and Gundy partners. "The bankers all thought the investment bankers were arrogant and the investment bankers thought all the bankers were just not that bright and of little value," said Hunkin. "And then all of a sudden, they found out that some of these corporate bankers had outstanding relationships with some of the biggest companies in the country and weren't so dumb after all. It just took time and then it started to work, and it worked pretty well."[26]

Wood Gundy's first Miracle Day, December 20, 1984.

Incentives were offered to stimulate cross-selling. Paul Cantor and Holger Kluge established a President's Award with a finder's fee of $300 paid by Wood Gundy when a bank customer was referred for brokerage services. CIBC Mortgage Corp. paid $200 for a Wood Gundy client referred to the bank.[27] Branch integration also began taking place. In 1989, Wood Gundy moved its local retail operations into CIBC's main branch in Sault Ste. Marie, Ontario, the first time it had shared the same premises with a Gundy office since the acquisition. Gundy Branch Manager Tom Holmes estimated his group saw more than $2 million in

For over 30 years, staff in the Toronto and Montreal offices of Wood Gundy sung carols each morning in the week before Christmas and were accompanied by the Salvation Army Band.

new business in the first few months after the move as a direct result of working more closely with CIBC staff. "The marketing aspect has been a phenomenal success," he said. "Our prospecting is much easier — we almost always get in to see the prospective clients we call on."[28]

Among the many legacies of Wood Gundy is CIBC Miracle Day, an annual event held on the first Wednesday of every December. Begun in 1984 by Wood Gundy Branch Manager Tim Miller, CIBC capital markets employees and CIBC Wood Gundy investment advisors donate that day's trading fees and commissions to children's charities. In the first year, $192,407 was raised. In 1999, Miracle Day raised a record $12.7 million worldwide. As of December 2019, CIBC Miracle Day had raised $100 million in Canada and $250 million globally since its inception.

15

The Glass Ceiling

The first woman to work at The Bank of Commerce, head office stenographer Joan Inglis, was hired in 1887, twenty years after the bank was founded. Its first female teller was Anna Macleod who in 1894 joined a private bank in Parkhill, Ontario, owned by T.L. Rogers. When the Commerce bought out Rogers in 1902, Macleod stayed on.

The bank's first female teller, Anna Macleod (RIGHT), with employee Pearl McNeil (LEFT).

The number of women increased substantially during the First World War when 40 percent of male staff enlisted and were replaced by women. In 1914, there were 3,212 staff at the Commerce, of which 380 — or 12 percent — were women. By 1918, the staff complement was 3,457, of whom 1,446 — or 42 percent — were women.

For all their continuing growth in numbers, women were not, however, seen as competent for managerial roles by male leadership. "Women have not the necessary capacity for the job," said an article in the April 1931 issue of *The Caduceus*, the employee newsletter. "They

Eight female tellers in Winnipeg's main branch, 1919.

The first women to attend the staff college of The Canadian Bank of Commerce, 1957. LEFT TO RIGHT: Reta O'Hagan; Mary O'Brien; Peg Cannon; and Isabelle Leggatt.

are suited to routine work. They like it better."[1] A response, published in the next issue, disagreed. "I see nothing mentioned in head office instructions not possible of possession by women," said the writer who was identified only as A Canadian Bank of Commerce Girl. "Wherever this necessary capacity is to be found, there let us place the stamp of 'Manager.'"[2]

Opportunities for women improved when the bank began offering more employee training. In 1955, the Commerce opened a staff college in Toronto, the first permanent residential training centre run by a Canadian bank. Two years later, the first female students enrolled in the office management course. Of the twenty-two graduates, four were women.

Women at the Quebec region's training centre. FROM LEFT: Yvette Poitras, training officer in charge of the Quebec Regional Training Centre; Anna Manoukian; Sheila Flynn; and Pamela Cryer.

In 1967, the Quebec region established the first training centre in Montreal, headed by Susan Weldon as manager, with eleven female officers to train employees from across the province, both at the centre and in the branches.

The first female bank director in Canada was Pauline Vanier, wife of Governor General Georges Vanier, appointed by the Bank of Montreal in 1967. The following year, CIBC named its first woman to the board: Dr. Marguerite Hill, physician-in-chief at Women's College Hospital in Toronto. In 1974, a second woman joined, Dr. Catherine Wallace, chairman of the Maritime Provinces Higher Education Commission in Fredericton.

CIBC became a leader in appointing women as directors. In 1987, Marie-Josée Kravis, executive director, Hudson Institute Inc., Montreal, joined the board. Next, in 1988, was Pearl McGonigal of Winnipeg, the first female lieutenant governor of Manitoba. In 1992, Margot Franssen, president of the Body Shop of Toronto, and Barbara Rae, president and CEO of ADIA Canada Ltd., Vancouver, both joined. Two Toronto-based female directors were soon added: Pat Delbridge, an issues management and environmental strategic planner, in 1993, and Jalynn Bennett, a former senior executive at Manulife Financial, in 1994. As a result, CIBC had six female directors out of a total of thirty-seven directors — more than any other bank. By 1999, the same six female directors represented 20 percent of what was by then a smaller board of thirty directors. Among 560 Canadian companies, CIBC and Maple Lodge Farms had the highest number of female directors, according to a survey by Catalyst, a global non-profit organization that had been established to measure and accelerate the advancement of women.[3]

Dr. Marguerite Hill, CIBC's first female board member. (Photograph courtesy of The Miss Margaret Robins Archives of Women's College Hospital.)

Dr. Catherine Wallace, CIBC's second female board member.

Ruth Caines's appointment as an assistant branch manager in 1965 marked the first time a woman was promoted to a management position in a branch.

In 1968, the year the bank elected its first female director, it appointed another pioneer, Jeanne Elizabeth Leitch, as economic adviser. An honours political science and economics graduate from the University of Toronto, Leitch had been with the Wartime Prices and Trade Board, the Food and Agricultural Organization of the United Nations, and the Department of Trade and Commerce in Ottawa. "Economics is very much alive," she said. "It's dealing with people. After all, economic decisions are made by people and for people."[4]

In 1965, Ruth Caines was the first woman to receive a branch managerial appointment at the bank as assistant manager at Church and Main, Moncton, New Brunswick. In May 1968, she was named manager of 1111 Main Street, Moncton.

In February 1968, the bank named Lula Clyde manager of the International Inn branch in Winnipeg. "The reaction here couldn't have been better," said Clyde. "The morning after the appointment, my phone rang steadily, mostly calls from men congratulating me and offering to help me in any way possible. There didn't seem to be any feeling of resentment."[5]

Lula Clyde, CIBC's first female branch manager, shakes hands with client Bob Fraser while former manager V.S. Barnes looks on.

During the summer of 1968, five more female branch managers were announced: Donna Edmonds, Avenue Road and Dunblaine, Toronto; Ann Neufeld, Fairview Mall, St. Catharines, Ontario; Margaret Upton, Victoria and Willmott, Niagara Falls, Ontario; Ellen Thompson, Yonge and Levendale, Richmond Hill, Ontario; and Joan M. Wilson, Grandview Highway and Renfrew, Vancouver. Said Neufeld, "The appointment lets you know that your work over the years has been worthwhile and has been noticed."[6]

In 1976, CIBC opened its first branch in a department store, The Bay, in downtown Winnipeg. All six members of the staff were women: four tellers, the

Donna Edmonds (seated) was appointed manager of the Avenue Road and Dunblane branch in Toronto in 1968.

accountant, and the manager. "We're here to serve everyone," said Ferne Ringach, the manager. "In the past, there has been some reluctance by businessmen to accept and deal with a female manager."[7] The number of female branch managers increased from 4.9 percent of the total in 1975 to 12.6 percent in 1981 and reached 23.1 percent in 1987.[8]

In 1970, the Royal Commission on the Status of Women released its 488-page report with 167 recommendations on pay equity, maternity leave, education, and

CIBC's new branch in the Hudson's Bay downtown Winnipeg department store was staffed exclusively by women. FROM LEFT: Sonia Lewko; Peter Wood, The Bay; Warren Moysey, vice-president and regional general manager; Ferne Ringach, manager; and Janis Mason, accountant

women's access to managerial positions, among many other topics. "Women are showing a far greater interest in pursuing banking careers and the bank itself is showing a greater interest in women as members of management," said the 1971 annual report. "About 71 percent of our staff are women, and their influence, responsibility, and impact are increasing. We are actively implementing programs to attract and retain more career-oriented women."[9]

Until then, the attitude toward women had been caught in a time warp. "At that time, the bank didn't invest really in women, it was more like 'women will have babies, they will quit,' so it was more a male role. Women were tellers but not on the manager side," said Carole Bachand, who joined the bank in Waterloo, Quebec, in 1973. For Bachand, it wasn't until the 1990s that she saw much by way of change. "At the beginning of the '90s, they discovered that women and

men do things differently, but it's a good mix to have both together, so after that, they hired more women," said Bachand, who in 1997 became a branch manager in Magog, Quebec, and a general manager in 1999, the only woman among a dozen general managers in the area.[10]

As of 1976, 2,372 CIBC women were appointed officers compared with 4,731 men. In addition to 108 branch managers, fifteen women were department managers, and there were twenty-five assistant branch managers, fifteen assistant managers of departments, 276 consumer loan officers, 700 accountants, 927 assistant accountants, forty training officers, and 266 others in various specialties.

The 700 female accountants was almost the same number as the 714 male accountants. Equally important, the average annual pay for these women was within $100 of the men. Among assistant accountants, the 927 women outnumbered the 488 males. On average, those women made $130 more per year than the men.[11]

Individual women became increasingly able to carve out important niches. Elsie Raczkowski joined CIBC in 1972 and over the years was instrumental in taking the precious metals department from a one-person operation to a twenty-four-member team that regularly traded several tonnes of gold a day. Raczkowski was involved in the first gold loans written in the Western world and was one of the few outsiders ever allowed to sit in on a gold "fixing," the sessions that occur twice a day in London to set the price of gold.[12]

AT TWO IN THE MORNING on Mother's Day, a police officer saw a light on in a CIBC branch in Etobicoke, Ontario. When the officer knocked on the door, the sole occupant, Marie Antler, identified herself as the accountant. She said she was finalizing the books that were due at head office the next day. "A likely story," said the policeman and called her manager for verification.[13]

For Antler, it was just one more of her many long days and nights as she rose from file clerk to branch manager. Antler, a mother of three, started at the bank in 1961 with a high school diploma. "Being in a small branch helped me

get ahead; I was able to get my nose into everything I wanted to learn. I used to watch them count the money and thought, 'Oh, this is my aspiration.'" After taking a number of courses, Antler was appointed as an accountant and then manager in 1976. "I just learned as I went along. All you need is common sense and the willingness to learn. I never walk when I can run."

In another crucial area that had long been an issue, the bank began to offer loans on an equal basis to women and men. A policy statement entitled Social Responsibility and Corporate Conduct, issued by the bank in 1981, declared, "We provide women customers with the same access to credit as that which is accorded to men. We subscribe to a set of voluntary guidelines which ensure that every individual — regardless of sex or marital status — has the same right to apply for credit, as well as the right to be judged by the same set of criteria. A married or unmarried woman is granted credit on the basis of her credit qualifications, earnings, and property, on the same terms as would apply to a man in identical circumstances."

The bank's first female executives (defined as vice-president or higher) were appointed in December 1984: Jane Bazarkewich, vice-president, consumer division, domestic banking, and Patricia Beaudoin, vice-president, personnel division, administration. Beaudoin, who had a master's in business administration, was the more recent arrival. She joined the bank in 1972 and by 1976 headed the international personnel department. Bazarkewich, who joined the bank in 1969, had a master's in education and in 1992 became CEO of CIBC Trust, the first woman to head a national trust company in Canada. "I was on what I'll call the bleeding edge of women working up through the organization," said Bazarkewich. "There certainly were a lot of women that moved up into more senior roles that were coming in behind me."[14]

Don Fullerton was well aware that more such appointments were needed. In remarks to a meeting attended by all vice-presidents, he said, "I find it hard to believe that in an organization where 78 percent of the employees are women, only two are qualified to be vice-presidents. I want this changed!" Cathy Riggall, who later became a vice-president and was standing at the back of the

Betsy Wright (SEATED LEFT) with Burt Napier (SEATED RIGHT) with (FROM LEFT) Darlene O'Connor, client services and ATM support; Lynda Smith, Acquisitions; Michel Segeren, LAN systems development; Adina Saposnik, network services; Gary Bensley, field staff, branch platform implementation; and Bruce Rich, director, branch platform implementation.

room, said that his comments "caused those of us who heard it to cheer silently and take hope that things would change. They did, and he has to get a lot of the credit."[15]

In 1988, more than 75 percent of all promotions were awarded to women. By 1989, eleven women were vice-presidents, compared with five vice-presidents in 1987, and Betsy Wright was the bank's first female senior vice-president.[16] By 1991, 12.9 percent of senior management positions were held by women, higher than at any other major bank, according to an Employment and Immigration Canada report on employment equity. The comparable figure in 1986 was 3.1 percent. The report also revealed CIBC had one of the largest representations of visible minorities, 18 percent of the workforce.[17]

In 1990, the Women in Management Advisory Group was founded. In concert with CIBC's human resources department, the group set out to develop a bank-wide employment equity program as well as encourage the advancement of women in general. The committee consulted thirty senior female managers as well as the women on the board. The advisory group came to include thirteen executives, six female and seven male, as well as a facilitator. "It was clear that the women participating in the group felt that their success to date was largely based on 'self' efforts with little to negative assistance from the organization," said the group's February 1991 position paper. "Women perceived they worked harder and longer than their male counterparts to reach their positions."[18]

In a presentation to the bank's management committee on May 1, 1991, the group, by then called the Advisory Committee on Women's Issues, recommended that women should comprise a minimum of 35 percent of executive management by October 31, 1995.[19] Fullerton agreed with the committee's general direction. Said committee member Janet Graham, "He challenged the male senior executives who were to work with the committee to do what he recognized felt wrong to them and he told them he would replace them with people who would support the project, if they were unable to get comfortable with the recommendations being discussed."[20]

In September 1991, Fullerton announced in a letter to employees that he'd set a long-term objective that one-third of the bank's executives — vice-president and above — would be women, up from 11 percent at the time.[21] Among the women at CIBC who by then held executive positions were Anne Cira, vice-president, deposit operations and customer service; Susan Crocker, vice-president, money markets, North America; Janet Graham, vice-president, real estate; Linda Hohol, vice-president and district manager (Calgary) Alberta and Northwest Territories region; and Janet Martin, vice-president, segment management, marketing.

To achieve the one-third goal, an eight-point plan was established that included career development, a review of benefits to support a work-family balance, flexible working hours, and an audit of management practices to ensure there were no systemic constraints against women. Among those helping imple-

Demonstrations of CIBC's new and improved Instant Teller and Info Teller units were a big hit at The Women's Show in 1984. FROM LEFT: Anne Cira, Manager, University & Adelaide Streets; Lachlan MacLachlan, Vice-President, Commercial Division; Rosalie Sussman, Special Representative, Toronto Regions; Jack Taylor, Regional Manager, Consumer Development Department and Betty Bud, Special Representative, Consumer Development Department

ment the goals was Michèle Darling who joined the bank as vice-president, human resources, in November 1990 and a year later was promoted to executive vice-president, human resources. Not only was Darling the first female executive vice-president but was eight months pregnant at the time. "Ten years ago that would not have happened," Darling said in an interview published in 1992. "Last year when I received the promotion, the pregnancy was just not an issue."[22]

Anne Cira (RIGHT) was the executive director of the Canadian Youth Business Foundation (CYBF) when it launched in 1996. She is seen here in 1998 with (LEFT) Royal Bank of Canada EVP Charlie Coffey and (CENTRE) Holger Kluge, then President of CIBC P&C Bank and the founding chairman of the CYBF

Part of the change included altering the public's view of banking. "I talked in a variety of forums about what we were trying to do to become an employer of choice in banking and all of the innovations that we were creating around women. I was trying hard to put a different face on banking," said Darling. "When you said 'bank' back then, you didn't always get 'progressive, great fun, good place to work.' You got something else, so we were trying to change that."[23]

In order to speed up the promotion of women, the selection process was amended. "We made sure that in every single candidate slate for any of the director and vice-president roles, there were women on the slate. In the past, that was not the case. If two people, a man and a woman, were equally qualified, we would give the job to the woman," said Darling. "We put in a new compensation system; we made sure that women and men were fairly paid for like work."

As president of Personal and Commercial Bank, Holger Kluge took a particular interest in adding senior women to his executive team. In 1992, Betsy Wright, who had been senior vice-president, technology products in Corporate Bank, moved to Kluge's group with a promotion to executive vice-president, products. Wright found the retail bank to be as good or better than anything she'd seen during her prior roles at Chemical Bank and Bank of Montreal. "BMO under [CEO Bill] Mulholland was a much more sophisticated international, global culture than CIBC because he had brought in a lot of people from South Africa, England, and Australia," said Wright. "In terms of the work environment and the thinking, the work at CIBC was probably more sophisticated especially when I moved into retail bank."[24]

But during Gwyn Gill's six years at CIBC, she did not see what she regarded as substantial progress for women despite Kluge's efforts. "Holger Kluge had a very current view on the advancement of women. He tried hard, my God, he tried hard, but it's a very difficult nut to crack and it hasn't been cracked yet," said Gill. "A lot of young women marry; they decide to have their families. And I understand that because it is a struggle. It becomes more than what a lot of women want to do," said Gill. According to Gill, much of the fault lies with the corporate culture. "The men get the opportunities. Women try very hard. I know how hard I tried, but it just doesn't happen."

BY COMPARISON TO THE OTHER BANKS, however, women did better at CIBC. In 1993, women made up 15.6 percent of upper management at CIBC, the highest percentage of all the Canadian banks. *Canada's Best Employers for Women*, a book published in 1995, praised CIBC and Wood Gundy for having "established policies that encourage women to advance their careers, and both have increased significantly the number of women in senior management positions."[25] Women received support in other ways, too. In 1994, the Vancouver Club voted against inviting women to join. All the members of the club who worked at CIBC resigned in protest.[26]

In 1995, nine firms formed an organization called Women in Capital Markets (WCM). More than twenty-five women from CIBC World Markets joined WCM to promote the hiring, development, and advancement of women. "Young women continue to make decisions in high school that cut them off from jobs in our industry," said Judy Taylor, managing director in corporate banking at CIBC World Markets. "By going into the high schools, we're trying to educate teenage girls about the kinds of opportunities open to people who stay with math and science through high school and university."[27]

The bank also created a Men and Women in Leadership Program to help them understand gender issues and how they related to leadership styles and communication. By 1996, more than 600 managers and executives had attended. Supportive spouses helped. Susan Monteith, managing director and head of equity syndication, CIBC Wood Gundy Securities Inc., had been in corporate finance but switched to equity syndication because the hours were more predictable. "My husband and I stagger our schedules," said Monteith. "I leave first thing in the morning, and he gets the kids up. I tend to be the first one home at night, and he can work late in the evening," said Monteith.[28]

The bank also allowed more job-sharing. In 1998, Audrey McKeen and Nancy Wright were account managers in the Commerce Court private banking centre advising a group of high-net-worth individuals. McKeen worked two days a week, Wright three. Both were married with children. "Even where there are rare examples of flexible, forward-thinking management, such as at CIBC, the

onus is still on women to do the planning, organizing, initiation, follow-through, and maintenance of any work arrangement that deviates from the norm," said a newspaper article about the two women.[29] After two-and-a-half years of job-sharing, their portfolio had doubled.

A 1988 *Globe and Mail* survey showed the proportion of female bank officers holding the rank of vice-president and higher was 24 percent at CIBC, Royal, and Bank of Montreal. TD had 18 percent when associate vice-presidents and up were included; Scotiabank was at 13 percent. CIBC and Bank of Montreal both had twenty women with the title executive vice-president or senior vice-president, Royal had fourteen, Scotia eight, and TD six.[30]

CIBC was awarded a Human Resources Development Canada Certificate of Merit by the federal government in recognition of its programs to promote equity and diversity. In particular, it was cited for its record in improving the representation of women within senior management — from 3.4 percent in the late 1980s to 34.2 percent in 2002.[31] The bank's goal of one-third, set in 1991, had been exceeded. The glass ceiling may not have been shattered, but a few holes had been punched through that would make progress easier for women in the future.

16

The End of the Gods

On January 17, 1991, Don Fullerton returned to Vancouver, the city where he was born and began his banking career, to chair the annual meeting – only the second time that the gathering had been held outside Toronto. (Montreal had been the first in 1987. On January 13, 1993, the management committee decided to hold the meeting outside Toronto every third year. The 1994 meeting was held in Montreal; in 1997, it was back in Vancouver.)

International events, however, intervened. In August 1990, Iraqi dictator Saddam Hussein had invaded neighbouring Kuwait. In response, the day before the annual meeting in Vancouver, a U.S.-led coalition launched Operation Desert Storm, an air campaign against Iraqi targets. Fullerton opened the meeting saying, "In times like this, no agenda is as important as peace."[1] Fullerton decided to forgo his formal speech to hear from shareholders. The ensuing question-and-answer session lasted two hours.

In a speech to the Board of Trade the next day, he encouraged Canadians to be more assertive. "It's almost as if we prefer constitutional turmoil, national soul-searching, and internal bickering," he said. "You might even say that Canada suffers from the Hamlet syndrome — a bias toward self-absorption and self-doubt when decisive action is what's called for. While other nations are busy exploiting developments in the global economy, this country seems bent on avoiding them."[2]

Fullerton could also criticize his own performance. In the 1991 winter issue of *Business Quarterly*, he wrote that he should have taken a different approach in trying to change the bank. "Knowing what we know today, we would put more emphasis on the management and development of human resources," he said. "We concentrated on organizational structure, capital, and quality of portfolios, and we achieved a number of short-term successes. While necessary areas of focus, they tended to cloud somewhat real management issues and prevented us from addressing these issues in a timely way."[3] Colleagues praised Fullerton's leadership. Said John Hunkin, "One of the biggest problems in the bank is you had very little confidence in how the executive management was going to behave. He changed that."[4]

Nor was Fullerton afraid to change his mind when circumstances warranted. In 1986, Keith Sjögren was senior vice-president, private banking, overseeing offices in Canada, London, and Hong Kong as well as trust subsidiaries in Guernsey and Grand Cayman. The bank was able to offer trust services to global clients but was unable to provide similar services in Canada.

After Ottawa revised the Bank Act in 1987 so the chartered banks could own investment dealers, it appeared the rules might change so the banks could also

own trust companies. In 1989, Geoff Browne, managing partner of CIBC Wood Gundy Capital, told Sjögren that Morgan Trust Co. of Canada might be for sale. Morgan had two locations, Montreal and Toronto, providing estate, trust, and agency services to upscale clients.[5]

Sjögren and Browne devised a way for the bank to "own" Morgan. It would find a third party to acquire Morgan for a fee while the bank held an option to buy Morgan once the revisions took effect. Sjögren and his boss, Warren Moysey, went late in the day to see Fullerton, who was not in a good mood and was pressed for time because he was about to leave for a dental appointment. When Sjögren explained the concept that would allow CIBC to become the first Canadian bank to offer personal trust services, Fullerton said, "That's about the dumbest thing I've heard in a long time," and departed.

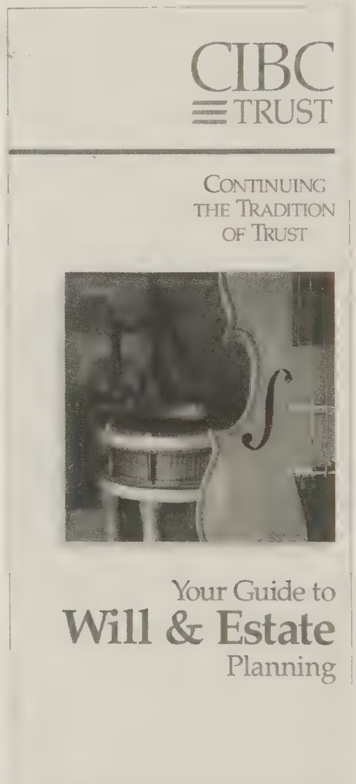
The next morning, Fullerton called and told Sjögren to come and see him immediately. Sjögren feared he was about to be fired. "I've been thinking about what you proposed last night," said Fullerton. "I thought about it in the dentist's chair. On second thought, I think we should do it. It's worth the risk." Said Sjögren, "He set an example about leadership, delegation, and empowerment that I would not quickly forget."

A CIBC team prepared for eventual ownership, led by Senior Vice-President Jane Bazarkewich, who had overseen the expansion of private banking in Canada from two locations to twelve. "We had to get staff that were willing to come away from the trust companies they knew and work for an organization that might or might not become part of the bank," said Bazarkewich. "I was able to create enough confidence that they were willing to give up their careers."[6]

Once the Bank Act was changed on July 1, 1992, CIBC exercised its option, took ownership of Morgan Trust, renamed it CIBC Trust Corp., and appointed Bazarkewich as president and CEO. By then, some of the other banks were also getting into the trust business. "We believe we have about a twelve-month head start on our competitors," Bazarkewich told the board.[7]

Initially, CIBC branch staff were hesitant to provide referrals, but Bazarkewich knew their reluctance would be resolved over time. "The grapevine in the bank is a

In 1992, CIBC became the first Canadian bank to offer personal trust services. This brochure still featured Morgan Trust's logo on the cover



CIBC Trust Corp, 1992.

wondrous thing," she said. "Once someone has experienced the success of the trust initiative, then every district and every manager wants one, too." By 1994, CIBC Trust had twenty-six offices across Canada providing investment management, estate planning, wills, and executor or trustee services to high-net-worth individuals.[8] In its first five years of operation, CIBC Trust increased assets under administration from $200 million to $4 billion.[9]

BUT NONE OF THE IDEAS Fullerton approved or changes he made during his term went smoother than orderly succession. Fullerton had promised that he'd serve seven to ten years while bringing along a slate of candidates to replace him. In December 1991, Fullerton announced that he would resign on his sixty-first birthday, June 7, 1992, after eight years as CEO and seven as chairman. "I have had ample opportunity to implement not only my initial five-year strategic plan but many modifications, some quite controversial and some quite significant," he said. "I am one of the lucky few who has had an opportunity to join an organization at the lowest end of the ladder and retire at the most senior position."[10]

The succession committee, chaired by Alf Powis, chairman of Noranda Inc. and one of the more senior directors, held twenty-two meetings. They hired an executive search firm to recommend possible outsiders, interviewed senior officers of the bank, considered both Iain Ronald and Frank Logan, but narrowed the choice to Paul Cantor and Al Flood. Fullerton gave no indication of his preference. His only public comment came when he explained to shareholders why the January 1992 annual meeting was a little slow getting underway: "Mr. Cantor was out campaigning, trying to raise his odds."[11]

When Cantor was interviewed by the succession committee, he noted that bank employees included those whose families had been in Canada for many generations as well as recently arrived immigrants. CIBC, he said, should take advantage of that diversity. Flood took a different approach. "I was very much part of Don's team, so I was doing an add-on. I was committed to his strategy, so I was developing my strategies based on his," said Flood. "The basic core business was still retail Canada." The committee favoured Flood's concept of continuity. On April 2, 1992, the committee recommended Flood to the full board for chairman and CEO.

Broad support for Flood was not surprising. "In the early '90s, late '80s, people went along with committee recommendations. I mean, probe, question, but it was an old-school way," said director Michael Phelps, president and CEO of Westcoast Energy Inc. of Vancouver. "There would be discussion, and if there wasn't a major revolt going on, people went along."[12]

Directors sought stability. "I thought of Al Flood in the more traditional banker mode," said Arnold Naimark, president of the University of Manitoba. "The general attitude in the room was that the bank needed some continuity of the approaches that Fullerton had put into place."[13] Said Director Marie-Josée Kravis, "Fullerton inherited the mess of Dome Petroleum, Massey Ferguson, and all of the Third World debt. He had a major cleanup and repositioning of the bank. Al Flood inherited a much healthier bank. Don Fullerton modernized the bank in terms of his management practices in a way that allowed Al Flood to take it to the next level."[14]

Flood decided he would merge Corporate Bank and Investment Bank with John Hunkin in charge, leaving Cantor without a role. "Paul is a very intelligent guy and had good experience. But John had more depth of the bank, he had worked in foreign exchange, in London, in international, and he came with me to New York as my deputy," said Flood, who fired Cantor. "I knew John pretty well and I felt that John was the right guy."[15]

FULLERTON'S TERM AS CHAIRMAN and CEO received a range of reviews. "Donald Fullerton, the austere and sophisticated head of the Canadian Imperial Bank of Commerce (CIBC), now reigns over what bank analysts say is one of the most efficiently run banks in the country," commented an article in *Maclean's*. "That was not always the case. Fullerton stepped into the top job at a time when his bank's profits were lagging and its employees were demoralized by years of autocratic and outmoded management practices. But since becoming chief executive of the CIBC in 1984, and chairman the following year, Fullerton has pulled his bank up from sixth to third place in profitability. He has also decentralized the bank's bureaucracy and renovated its management style, winning praise from bank analysts and his own employees."[16]

The *Financial Times of Canada* was harsher toward both Fullerton and Flood. "Quiet achievers have been known to surprise. But the betting is that Flood may be the wrong man for the job," declared the article. "The challenge: to yank CIBC

out of a mediocrity that, despite Fullerton's energetic efforts, continues to afflict the bank like some chronic middle-age fatigue syndrome. For all his dynamism, Fullerton, sixty, will leave behind a lumbering institution shot through with unfinished business when he retires in June."[17]

Among his many successes, Fullerton changed the board for the better. "Today there is a high risk in being a passive board member and composition of boards is starting to reflect a much wider variety of stakeholders' interests," Fullerton said. "Governance procedures have moved from the desirable category to the essential category. The club atmosphere is gone."[18]

Shareholders prospered under Fullerton. Share price (at fiscal year-end, adjusted for stock splits) more than doubled from $6.75 to $14.31 during Fullerton's time as CEO. "In the eyes of the market, the CIBC has made significant gains," wrote James Darroch in *Canadian Banks and Global Competitiveness*. "Donald Fullerton ably directed the bank to a sound strategic position by making the bank global in orientation while continuing to emphasize Canada and the retail franchise. In terms of shareholder value, the achievement since 1982 is significant. Fullerton has passed on a bank that should continue to show renewed vigour."[19]

But loan losses and rising costs remained a worry. "With the recent disclosure of provisions of $1 billion in the second quarter of 1992, primarily because of Olympia and York losses, expectations for the near future are not bright," wrote Darroch. "In the mid-1980s, non-interest expenses grew more slowly than fee-based income; however, since 1987, expense growth appears more rapid than income growth. If earnings do not materialize, this is an area of concern."

THROUGHOUT FULLERTON'S FINAL DAYS as CEO, he continued to urge employees to improve service to clients. His speech, "The Journey Is the Destination," given to a strategy session held in May 1992 on the fifty-sixth floor of Commerce Court West, focused on service quality, a program he'd introduced three years earlier. The presentation serves as an example of, first, how difficult it was to bring about

basic change to an organization the size of the bank and, second, the patience required to communicate a simple message. "There is only one priority at CIBC. And that is satisfying the customer. Everything else we do is simply a means to an end," Fullerton said. "The true service/quality company is one that isn't just customer-directed. It's one that is customer-obsessed . . . providing the kind of service you and I would like to receive from the institutions we deal with."[20]

To achieve such a goal required empowering employees and developing a management structure that fully supported service/quality initiatives generated by employees. "The direction we're going with service/quality is not just toward a new definition of management, but toward a redefinition of the idea of the corporation," Fullerton said. "An impossible goal? Without a doubt. But achieving service/quality perfection is not really the issue. What matters is the journey itself . . . the struggle, the attempt."

The journey to better serve CIBC's six million customers covered great distances under Fullerton. Its independent business and agriculture divisions were revamped in 1990 to provide a better focus on small business and farmers in Canada. Account managers handled both personal savings and investments as well as borrowing and other commercial needs of proprietors. Typical of clients was Arisaig Fisheries Ltd., based near Antigonish, Nova Scotia. Founded in 1977 by her late husband Eddie, under Brenda MacDonald the fish processing company employed 125 people and had annual sales of $4 million in 1991. The bank, which had served Arisaig since its inception, financed expansion and provided the firm with a $1 million line of credit and a corporate Visa account. "The staff at CIBC have made it their business to know about the company," said MacDonald. "The bank is there when we need it. Ours is a seasonal business and CIBC takes that into consideration. Whenever problems occur, the bank works them out with us."[21]

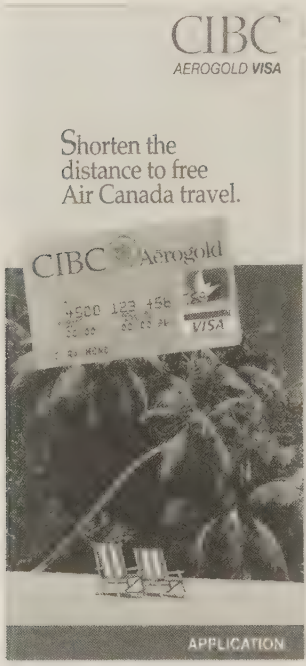
Starting a new business is a risky venture that required a good relationship between the firm and its banker, said Brian Postans, manager of the CIBC branch at 22 King Street, Welland, Ontario. "Over the past three years, in Canada, about 160,000 new businesses were formed," said Postans in 1990. "Of these, approx-

Service quality managers from across Canada and the West Indies met to talk about how the bank could improve its customer service. FROM LEFT: Connie Davis, Linda Gross, Jeff Fogwill, Gillian Nichol, and René Belanger.

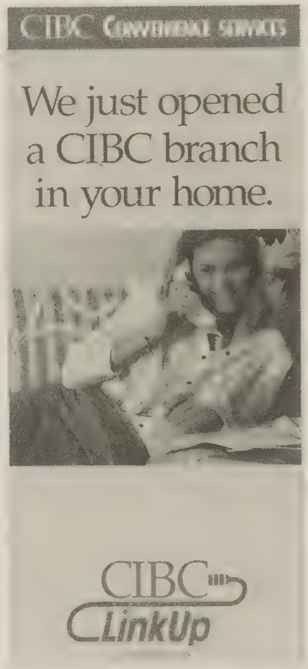
imately 55 percent will fail, be absorbed by other businesses, or simply go out of business. It is, therefore, important to research your business carefully and to develop a business plan. In order to be successful, you have to balance your enthusiasm, drive, and energy with common sense, knowledge, and a business-like approach."[22]

From 1989 to 1991, the bank trained more than 40,000 employees on service/quality principles, problem-solving, and leadership practices. It also introduced specific service standards, covering areas such as customer wait times, application turnaround, and error-free work.

Darlene Rempel, service/quality program instructor attends the service/quality conference in Toronto in 1991



Brochure for the CIBC Aerogold Visa card, 1994.



In 1992, CIBC was the first bank in Canada to offer 24-hour telephone banking service across the country.

The success of new products and services demonstrated employee accomplishments. In 1992, its first year, CIBC Aerogold Visa signed up 3.5 million cardholders who made more than $1.6 billion in purchases.

CIBC was also the first financial institution to offer 24-hour automated telephone banking service nationwide. Four years after entering the mutual fund business, by 1992 CIBC had taken second place in Canada with more than $5 billion in assets under management.

Putting the right people in the right place was a large part of constantly improving service. When Jack Shore joined the bank in Toronto in 1974, he start-

Branch Manager Jack Shore and John Nielsen deposit a large novelty cheque, 1993.

ed in the branches, worked in the credit department in Regina, and the Corporate Bank in Vancouver. In 1987, he was sent to Whitehorse, Yukon, where there were seventy on staff including employees who ran four satellite branches open for a day or two each week. Another dozen staff and two branch managers in Dawson Creek and Watson Lake also reported to Shore.

Shore spent April 1987 to December 1989 in Whitehorse during which time the branch doubled its commercial business, increased its market share in mortgages, and added three more satellite offices. Shore also boosted business from the territorial government, First Nations, and the telephone company. "The makings of this boy was that trip to Whitehorse," said Shore. "You had a lot more

opportunity to do your own thing and to become more of a decision-maker in your own right. It opened opportunities for me within the organization."[23]

Shore's favourite northern recollection involves two huskies that he and District Manager Dave Waterman came upon one night. The dogs were frozen together, rear end to rear end. Shore and Waterman, wearing their CIBC parkas, tried to pull them apart as passersby gathered to watch. Whitehorse artist Chris Caldwell immortalized the melee in two original paintings. Shore still has one of the paintings; the other hung in Yukon's legislature for twelve years.

AT A FAREWELL BLACK-TIE DINNER, held on June 3, 1992, Fullerton was given a commissioned cartoon that showed him sitting on a Massey Ferguson tractor with both hands raised over his head fending off two objects tumbling toward him — an oil derrick (Dome Petroleum) and an office building (Olympia & York).

During Fullerton's time as CEO from 1984 to 1992, the bank's assets grew from $68 billion to $126 billion, good enough for second place behind Royal Bank, the same ranking as in 1976. The number of full-time employees rose slightly from 32,689 in 1984 to 34,426 to 1992. The number of domestic branches fell from 1,627 to 1,515 while the number of ATMs increased from 509 to 2,596.

The $1 billion provision for Olympia & York, taken in the quarter ended April 30, 1992, created a $440 million loss in the last full three-month reporting period before Fullerton stepped down. "He took the hit for that. He put the bank's lending book in pretty good shape before he left the job, which is to his credit because taking write-offs of that magnitude are not really fun," said Hunkin.[24]

Of accolades, there were many. "He had very strong views and was very fair," said Brascan's Jack Cockwell. "You could tell him anything you wanted and he'd listen. He did a good job in straightening the place out. He ran a tight ship."[25] "He was a visionary," said Director Pearl McGonigal. "He was able to think a long way ahead and that's not sometimes so easy when you're caught up in the day-to-day problems. And there are lots of problems confronting all CEOs."[26] Said

Hunkin, "McKinnon, Wadsworth, Harrison, Fullerton. Fullerton was really the end of the gods. He just had that presence when he came in the room."[27]

Although at sixty-one, Fullerton was stepping down as chairman, president, and CEO, he was not leaving. He not only continued as a director, as was the custom for former CIBC CEOs, but also was made chairman of the board's executive committee, a powerful group to which the board delegated certain key decisions. Fullerton did not, however, interfere with Flood's role as CEO. "It was unusual, but I think the two of them would say that it worked," said Bill Davis, a director and former premier of Ontario. "I didn't sense any antagonisms because of it."[28] Fullerton's voice continued to be heard even after John Hunkin became CEO in 1999. "Don was my most useful director in terms of advice," said Hunkin. "He knew the game; he's a very strong guy."

When Fullerton turned seventy in 2001, rather than retire from the board, as was the rule, he was asked to stay on. The next year, he was asked again and agreed. But on the third occasion, he declined and retired in 2003. At that point, there were seventeen directors on the board, substantially fewer than the fifty-six when Fullerton was first named to the board in 1974. "What I liked about Fullerton was that he had a lot of battle scars," said Michael Phelps, CEO of Westcoast Energy, on whose board Fullerton served. "He was not afraid of conflict or one who would run for the hills at signs of trouble. Some directors do that. They don't want to personally get swept up into something that's controversial. Not that Don courted that; however, he was not afraid of it."[29]

Fullerton regularly sought more information beyond what management supplied to directors. Said Phelps, "He always had a great way after a Westcoast board dinner, because he would often do it within my earshot, he would go up to a couple of senior officers and say, 'You will stay for a drink. I need to know what is really going on.' And he would look at me with a smile. He could get to the issue with an instinct for what was happening."

Robert Donald Fullerton died on May 29, 2011, nine days before his eightieth birthday. Said long-time CIBC Director Darcy McKeough, "He was probably the

first modern bank CEO in that he recognized that being the chairman and chief executive officer of the bank was not a singular position, but that it was a responsible position, which depended on not just the chairman but many others."[30]

Fullerton never forgot the importance of keeping close to clients. "Don was a good friend. It's been many years since he passed away, but I still think of him often," said Hong Kong entrepreneur Li Ka-shing. "He was a successful banker and someone I could depend on for life as a friend and business partner. He offered solutions above and beyond his duty, and our business relationship went from strength to strength."[31]

17

School Days

Al Flood was sixteen in 1951 when he joined the Bank of Commerce in Monkton, a village near the farm where he grew up in south-western Ontario. In those days, tellers often worked in cages with a loaded gun visible beside them as a deterrent against holdups. He went on to serve in various branches in Ontario, including London, Ottawa, and Toronto, and in 1978 was appointed general manager, U.S.A. and Latin America.

Al Flood's career began in 1951 with The Canadian Bank of Commerce. He was a teller in several small branches in southwestern Ontario, including this one in Atwood, Ontario, in 1952. He stands behind the teller counter at the far right.

As part of the bank's expansion, Flood opened loan production offices in Houston and Denver to complement the Dallas office. Flood also created modern trading facilities in New York, Chicago, and San Francisco to provide treasury, investment, and foreign exchange services. In 1984, by which time Flood was executive vice-president, CIBC had offices in New York, Georgia, Pennsylvania, Illinois, Texas, Colorado, California, Oregon, and Washington, with $8 billion in U.S. assets, double the amount it had in 1980.

According to Flood, one of the best pieces of advice he received about international banking came from CIBC Director Robert Scrivener, who'd been chairman and CEO of both Bell Canada and Northern Telecom Ltd. "The difference between international and the domestic business in the bank reminds me

In 1953, Al Flood (back row, second from right) was working at the Delhi, Ontario, branch where employees wore corsages to celebrate the reopening of their recently renovated branch.

of my experience between Bell and Northern Telecom," said Scrivener. "At Bell, everything was bureaucratic, everything was a process that had to be followed, had to have all kinds of initials on a piece of paper. Northern Telecom was a growth company, more dynamic, more innovative, more creative, and you had to make decisions on your own. The international side operates more like that than the domestic side of the bank."[1]

As the newly anointed CEO, in May and June 1992, Flood held meetings with branches, individuals, and senior managers. In July, he unveiled his strategy entitled "The Way Forward," declaring that CIBC's goal was "to be the pre-eminent financial services company." The vision was "winning customer loyalty through service excellence." Key performance drivers were customer satisfaction, people

management, operational capability, risk management, and sales effectiveness. "Every time that we come into contact with a customer, or a potential customer, we must win their loyalty," said Flood. "And the best way to do that is through service excellence."[2]

In addition to such practical steps, Flood's aspiration was to lift everyone's eyes from their desks and let them look to the future. "We really are moving from an organization that is the traditional hierarchy to one that is driven by vision and values," said Flood. "Middle management and senior management, rather than taking on a strong supervisory role, will take on a role of support and coaching the front-line people dealing with the customer."[3]

In so doing, Flood was directly tackling Fullerton's complaint regarding "middle-management mush." "That was pretty blunt language and it shocked the system. Some people didn't like that, but it made the point, so I tried to take advantage of that. Don and I both shared the frustration of the bureaucratic process that we seemed to have in the bank," said Flood. "Our customers were telling us that there was some frustration; some of the people that worked for us were showing frustration. There was too much process, too much control, and not enough freedom. We had to do something. I made one of the key platforms being innovative and creative. I tried to change the culture."

Equally important, according to Burns Fry Ltd. analyst Hugh Brown, the bank was finally taking risk management more seriously. "I think during the last recession they wrote the manual, but no one read it," Brown was quoted as saying in 1992. "This time, they have revised it slightly, but now they have a guy who gets up every day and reads it." In the same article, Flood emphasized his capacity to listen. "Having started at the bottom and worked through it myself, I understand it," he said. "I have an empathy with people, I have a rapport. I understand what they are dealing with day to day, how the stress of dealing with a recession on the front lines is a challenging job for a banker at any level."[4]

No salary increases or bonuses were paid to senior officers at year-end in 1992 because profits totalled only $12 million.[5] Moreover, CIBC cut staff by 2,500, half through layoff and half by attrition. "Looking back, announcing a layoff

like that is a pretty negative thing," said Flood. "It makes people uncomfortable in their jobs, so you've got to be very careful how you manage that. I think we learned our lesson that you handle those things much more subtly."[6]

FLOOD'S FIRST MAJOR ORGANIZATIONAL STEP was to combine two of the strategic banking units created by Fullerton, the Investment Bank and the Corporate Bank, into one with the new unit headed by John Hunkin. Holger Kluge continued to run retail as president, Individual Bank. Flood was not only returning CIBC to its traditional configuration — wholesale and retail divisions — but was also designating those two men, effectively chief operating officers, as the most likely candidates to succeed him.

Among the ideas Fullerton passed along to Flood, perhaps the most far-sighted was what became the CIBC Leadership Centre. The King Ranch, a health spa built in 1989 by Shoppers Drug Mart founder Murray Koffler, had gone bankrupt in late 1991. Fullerton urged Flood to buy the spa and create a management training centre. Al Flood, high school dropout, would make employee education one of the focal points of his time in office.

The chalet-style design of the CIBC Leadership Centre came complete with an indoor track, Nautilus fitness equipment, and tennis courts set on 175 acres of wooded land in the rolling hills of King Township, 50 kilometres north of Toronto. CIBC retained Canadian architect Jack Diamond to redesign portions of the 180,000-square-foot facility. Diamond created twenty-five meeting rooms and turned one of the indoor tennis courts into a 300-seat auditorium. Retained were the dining room, 124 guest rooms with ensuite bathrooms, gym, swimming pool, saunas, and nature trails. "Businesses have to become learning organizations," said Flood, "the building blocks of the new knowledge economy. We have become subject to the information imperative. Whoever stays abreast of the exponential increases in knowledge, and applies that knowledge in the most efficient matter, will succeed."[7]

CIBC Leadership Centre in King Township, Ontario, 1993.

Heading the centre was Hubert Saint-Onge, vice-president, learning organization and leadership development, who'd joined the bank in 1990 after working for the government of Ontario and Shell Canada. "Flood really grabbed onto this whole idea of organizational learning. It was important for him to make a mark and that was going to be his legacy in the bank," said Saint-Onge.[8]

Such disruptive thinking was new for CIBC. "We were trying to change an institution that had not undergone a lot of change," said Michèle Darling, executive vice-president, human resources. "We all agreed that we wanted to create a learning organization, to break down the silos in the bank, and have people come

together and talk about what all of us can do. The mission of the learning organization was to bring people together to create positive change for our business, for our customers, and to significantly improve the bottom line of the bank."[9]

The concept of the learning organization was not new. Saint-Onge had first studied learning organization theories in the 1970s. But the publication in 1990 of Peter Senge's *The Fifth Discipline: The Art and Practice of the Learning Organization* caused an outpouring of corporate interest in the need for continuously adapting to change rather than waiting for some visionary leader to devise a strategy. Saint-Onge established courses on leadership, teamwork, decision-making, and other management skills. The first program was offered in fall 1992 during $12 million worth of renovations. About 1,400 managers used the facility in 1993. In 1994, 4,000 managers participated in programs on leadership and team building with a further 7,000 taking part in business planning and sales conferences.[10] The bank also ran small-business workshops on financial planning, financing, and financial management attended by more than 3,000 entrepreneurs from across Canada.

Initially, Flood spoke at the centre twice a month. As the pool of senior executives spending time at the centre grew, Flood reduced his role. Flood had no expectation that he alone could spread the message about change. "In a big organization, you can only influence a certain amount. You're setting the message from the top, but the real workers are the people on the front lines carrying it out. All the way through, it's a real team effort," he said.[11]

With the staff college closed before the leadership centre opened, CIBC also created thirteen employee development centres across the country in 1992–93.[12] The centres offered 200 services and products, including computerized self-directed learning programs, career planning, product support, and self-assessments as well as coaching for managers and retirement planning. The idea was for individual employees to take charge of their own professional lives by deciding what they needed to learn in order to advance their career path. In the first year, at the initial employee development centre in Toronto, 5,000 employees used more than one hundred self-directed programs for a total of 20,000 hours.[13]

In 1994, more than 12,000 employees were pursuing university degrees, college diplomas, courses through the Institute of Canadian Bankers, and various professional accreditations. The bank repaid all course fees for anyone who passed.[14]

DAYS AT THE CIBC LEADERSHIP CENTRE usually began with a power walk and a nutritious and low-fat breakfast. In addition to workshops and structured programs, attendees also participated in outdoor activities that showed the need for teamwork through rope-climbing exercises that took them as high as forty feet above the ground. They stayed overnight or for up to a week, mingling with other employees from across the country and sharing new ways of thinking. Some groups used keyboard and electronic methods so even the shyest employee could add a written comment to the conversation rather than have to stand and speak in a roomful of more confident participants.

The annual budget of the centre was about $10 million.[15] CIBC spent more than $40 million annually on employee training and development. In 1996, the bank announced an additional $20 million for skills development.[16] The board of directors met twice a year there during which time they'd take meals with those who were on courses in order to hear their thoughts and experiences directly.

Outside speakers such as Isadore Sharp, founder of Four Seasons Hotels, addressed employee groups on service quality. Flood invited financial analysts and institutional investors to hear quarterly financial presentations and admire the site. He also held shirt-sleeved bear-pit sessions with employees, answering all questions, telling them to send him an email on any matter they didn't want to raise in public. "I had a lot of town hall meetings, tried to change the culture, and open it up," said Flood. "I think there was an evolutionary society at that time. Younger people coming into the bank were more educated and wanted to take on that responsibility. We tried to indicate that's what we were looking for especially on the retail side. We wanted to get away from this bureaucratic position we thought we had."[17]

Whenever Flood travelled to a major Canadian city, he held similar question-and-answer gatherings with groups of local employees. "I always tried to be very open, tried to communicate as best I could," said Flood. "I was accused sometimes of making the same speech too many times, but I think when you're dealing with thousands of people, you have to repeat; you have to stay on message."

Flood's message was meant to focus on everybody's personal responsibility and their accountability in bringing about change. "He talked about the competitive marketplace, where we were positioned, and why it was important for us to get ahead of our competition. He was very courageous in terms of talking about that and he got to be very good at it, both in small and large groups," said Darling. "Al made a conscious effort to become not just a good speaker but a really great speaker."[18]

While researching an article for *Maclean's* about the CIBC Leadership Centre, journalist D'Arcy Jenish sat in on some classes as well as a two-hour town hall conducted by Flood. "The questions sound tame, but as Flood responds, a fresh image emerges," wrote Jenish. "The chairman has abandoned, temporarily at least, the power and prestige that comes with his office. He is out on the floor trying to sell, rather than direct, his employees on a new way of running the business. He tells them he wants to create a dynamic organization. He says he wants to remove the fear that exists in the organization, and he tells them to tolerate mistakes, especially from employees who are showing initiative."[19]

DEMAND FOR INSTITUTIONAL CHANGE was also coming from some of the bank's clients. Following a series of trade seminars held in Canada and the U.S. in 1993, Flood reported, "Our customers are saying to us that we are not cross-selling enough to them and we do not have sufficient skills in our personnel to give the customers confidence that they can rely on our advice. This means we must broaden our knowledge base and encourage our employees to upgrade their skills. Our customers are saying to us that we should educate them and we should find financial solutions for them."[20]

One of the organizational themes that Flood hoped would make a difference was the "inverted pyramid." In this new way of corporate thinking, the traditional hierarchy was reversed. Employees who dealt with customers were placed at what was now the wide top of the pyramid, with Flood at the point that was now the bottom. Everybody who wasn't at the new top was supposed to support the customer-facing employees through mentoring and coaching. With employees thereby empowered — a word Flood often used — the organization was meant to be more adaptable and responsive to changing times.

Such leadership was a tough sell; jargon did not help. Executive Vice-President John Ellsworth sat in on one of the leadership programs at the centre and concluded that while senior officers might be committed, middle managers were confused. He told a meeting of the management committee that a number of attendees said it was the first time they'd heard of either the "inverted pyramid" or "the journey is the destination."[21]

Holger Kluge agreed and told the committee that there seemed to be a misunderstanding of what the inverted pyramid really meant. "It does not mean turning the organization upside-down, as some managers believe, nor does it mean that local managers are to make all the decisions," said Kluge. "We all have to recognize that it will take years for the inverted pyramid to be completed. It is important to stress that those closest to the customer know best what is best for the customer."

Yet, by 1995, Saint-Onge had concluded that the inverted-pyramid phase of the centre's evolution had "run the course."[22] The next phase was to create partnerships with customers by building alliances and coalitions in the marketplace through what he called a "collective ownership of the business obtained through shared responsibilities. As they develop themselves, managers develop increasingly more complex and sophisticated capacities for thinking of their practice and relating to people."[23]

Brian Morris, a former high school teacher who joined CIBC in 1978, was at the staff college in the 1980s, where he had developed a sales management course taken by 5,000 employees. One of the programs Morris developed at the

CIBC Leadership Centre was suggested by Hunkin, who had become intrigued by the difference in leadership styles between men and women. The first morning of the course, the men and women met separately. Each group was asked to cite the differences between male and female leaders. The men might come up with three ideas; the women usually produced ten pages. The course consisted of working together to understand each other and trying to reconcile the dissimilarities between the genders.

All leadership programs are notoriously hard to measure. One outside study, however, did find positive results. A three-member team from Queen's University and the University of Guelph randomly split twenty CIBC branch managers from the Ottawa area into two groups. One group of managers had taken leadership training while the other had not. Over a five-month period in 1996, the scholars met with the individual managers and interviewed their employees as well. "Subordinates of managers receiving training perceived their managers as higher on intellectual stimulation, charisma, and individual consideration than subordinates in the no-training control group," concluded the study. "In addition, the training program exerted significant effects on subordinates' organizational commitment . . . some support emerges for the notion that branch-level financial indicators might be affected."[24] According to Kathleen Flynn, one of the managerial participants, "I was a bit leery at first, but the results speak for themselves. The whole experience was highly motivating, not only for myself but for everyone who works here."[25]

IN 1996, Gail Kilgour was appointed head of the centre. Kilgour had joined in 1975 as an accountant-in-training and rose to be co-head of real estate finance for North America at CIBC World Markets. Kilgour had no background in leadership training; her mandate was to shake up the centre and make it more relevant. "The reason why they were looking for somebody new for the leadership centre was that the vision, the strategy, had gotten disconnected from the business," Kilgour said. "They wanted a businessperson to go in and try and reconnect it

back. It doesn't mean we can't have some of the leadership stuff going on still, but what programs can we bring to help people function better in the business as soon as they go back?"[26]

In addition, CIBC wanted Kilgour to increase the number of participants from among her former colleagues at the Investment Bank. "The retail bank side really supported it and they got a lot of benefit from the different courses," said Kilgour. "But the investment banking side weren't interested. If the course was five days, that was four days and seven hours too long." They made their money from deals; if they weren't in the office, they lost income.

Kilgour axed programs and services such as facilitation, team building, conference organizing, and strategic planning. In their place were activities driven by business strategies more closely tied to the specific needs of the bank.[27] Hunkin's interest was still not piqued. He pointed out that many CIBC investment bankers resided outside Canada and could not easily travel to the centre for week-long courses.

Typical of the new courses launched under Kilgour was the Enterprise Leadership Program that ran from September 1997 to February 1998. The course consisted of twenty-two executives divided into four project teams. One team looked at making the retail bank more customer centric; another group studied how to maximize synergies among the banking units.

In 1999, Peter Smith, president of the Leadership Alliance, published a case study entitled *The Learning Organization Ten Years On*. When Smith began working with the bank in 1990, he said CIBC was a "traditional, highly successful, diversified bank with hierarchical structures, controls, and a rules-driven culture." During the decade that followed, Smith wrote, "this organization, despite its size and history, has successfully reinvented its future by pursuing an LO [learning organization] heading and has learned to operate in new and even more successful ways." He concluded, "If an organization of this size and tradition can successfully implement LO principles, then others can certainly do the same."[28]

But when John Hunkin replaced Al Flood as chairman and CEO in 1999, one of Hunkin's first steps was to close the CIBC Leadership Centre. It was sold and

operated as the Kingbridge Conference Centre, open to anyone who wanted to rent the space. By the numbers, however, the CIBC Leadership Centre was a success. In 1998, for example, the last full year of operations, 1,471 employees attended core programs, the centre functioned at greater than 90 percent capacity, and 84 percent of participants rated the programs as very valuable.[29] In the end, however, accurately measuring achievement was elusive. "I think we did a fair job. Did we get to the finish line? Probably not, but I think we changed the culture," said Flood. "The employee satisfaction went up and the customer complaints went down."[30] If the only thing that's permanent is change, the CIBC Leadership Centre certainly played a role in that important process.

18

The Look of a Leader

When Al Flood took over from Don Fullerton, CIBC was in the middle of the pack in the important category of return on equity (ROE). In response, Flood set ambitious ROE targets of 12 percent in 1994, 14 percent in 1995, and 16 percent in 1996.[1] Those new goals were not only about performance for investors but also aimed at retail clients. "Historically, we measured service excellence by our total number of customers and assets. That is, how much product we sold to how many customers," Flood said. "Today, we see service excellence much more from the customer perspective."[2]

No one was more aware of the multiple changes required for improvement than Al Flood. "When I started at CIBC, banking was straightforward. We took deposits and we lent the proceeds. We made our money on the spread between the rates we paid depositors and the rates we charged borrowers. We did what bankers had done since the Middle Ages," he said. "Business was steady and competition was often less than keen. Very often, our ears were blocked. They aren't anymore. Today, we have to listen effectively because it's a matter of survival."[3]

Flood's early efforts benefitted from good timing. In 1992, the Toronto Blue Jays won the World Series. As the team's banker and part owner for sixteen years, CIBC shared in the glory. The team repeated the following year. Flood received a replica of the World Series ring sealed in a transparent cube. The bank was also given foot-high trophy replicas that are stored in its archives.

While Flood was eager to expand, he also sought to restrain spending through the purchase expense project. A small group of bankers, along with consultants Marshall Lux and Dominic Barton from McKinsey & Co., set out to find savings of $150 million a year without touching salaries. "The key reason was that the CEO felt there was a lot of fat in the system that could be taken out," said Barton. "We were keen to do it because we were costing the bank money in fees, so we wanted to deliver money to the bottom line quickly."[4]

Because CIBC had been divided into four banking units under Fullerton, each had been buying supplies and services such as paper, furniture, and phones. Prices paid were not as low as they could be by using a combined approach. "There was also a big change in real estate holdings. There were way too many buildings, some of which could be consolidated. We found the $150 million and those savings were repeated every year," said Barton.

As part of Flood's study to produce "The Way Forward," he tapped half a dozen bank executives as well as consultants from McKinsey to provide an external viewpoint. The task force split into two. The first group urged a series of interlinked committees; the second, which included the McKinsey consultants, proposed moving employees out of head office into the divisions headed by John Hunkin and Holger Kluge. In April 1994, Flood chose the latter concept. That meant that

Kluge and Hunkin would manage their own operational and support functions including technology, human resources, finance, risk management, and legal.

Because central oversight was needed in particular areas, Flood also created a corporate centre to replace head office (the former Administrative Bank under Fullerton). For Barton, who went on to be global managing partner at McKinsey, the corporate centre engagement was memorable. "If I think about my career in McKinsey, that was probably one of my biggest learning experiences: what's the role of the corporate centre when you have a universal bank with an investment bank and a retail bank," said Barton. "In a bank, you've got a retailer like a Nordstrom; an investment bank, which is more like a professional service firm; and then a series of processing functions, which is more like a factory or a Toyota production process. For example, you cannot have one uniform human resources model across those three different aspects of the bank. That corporate centre work led to a lot of changes at CIBC."

As a result of the reorganization, in December 1994, Flood was able to tell a group of bank analysts, "We've reduced the number of people in our head office from over 9,000 to our present level of 1,100 and have moved a number of functions closer to the business units. Our new smaller corporate centre will focus on providing corporate governance, strategic direction, and guidance to the business groups."[5]

In practice, Flood had also reinvented the traditional role of the chairman and CEO. "Flood was not CEO of CIBC, Flood was the chairman of CIBC. He didn't run the bank, he governed the bank," said Pat Meredith, senior adviser, strategic initiatives. "John and Holger were the CEOs. In today's language, this would be called an executive chair. What he created was a group of advisors."[6]

Indeed, Flood specifically said that his leadership style was to give all employees more room to operate in a less hierarchical environment. "Mr. Flood stated that he finds there is more creativity, initiative, and job satisfaction when management control is looser; people will rise to the challenge and find new ways of doing things and finding new customers," according to the minutes of a corporate centre policy committee meeting held in November 1995. "Under a

Appointed as manager of the Imperial Bank's Edmonton branch when he was only twenty-three, G.R.F. Kirkpatrick became one of the city's most influential bankers.

loose management philosophy, the CEO will see a lot that he disagrees with, but he needs to hold back to permit the operating units to have the freedom to act."[7]

One of Flood's least popular decisions was discontinuing the annual bank calendar in 1994 as a cost-saving measure. Some banking centres continued to supply a desk calendar, but it was printed at their own expense.[8] Two years later, customers and branches were still complaining, so in fall 1996 the bank reinstated distribution to valued customers of wall calendars, desk calendars, agricultural calendars, and Chinese calendars. Every branch received a specific number but with no possibility of reordering.[9]

The calendar required to record the relationship between the bank and Indigenous Peoples in Canada would be considerable. "The bank has played a significant role in the development of the country as Canada expanded west and north," said Flood.[10] In one remarkable incident, reported in a 1923 issue of the bank publication *The Link*, G.R.F. Kirkpatrick, one of the bank's employees

who served Inuit customers, agreed to some ice as security for a chattel mortgage. Edward Hay, the branch inspector, was not impressed, declaring that ice was a "nuisance" rather than an "asset." "But," reported *The Link*, with tongue-in-cheek, "the advance was liquidated satisfactorily in due time."[11]

In order to do business with Indigenous clients, CIBC believed the bank should have Indigenous employees. In 1976, for example, the bank opened a branch in Rankin Inlet — the ninth CIBC branch in the Northwest Territories — and, in keeping with a northern hiring policy, it trained a local Inuk to work with the manager.[12] By 1993, CIBC had about 400 Indigenous employees, the largest such workforce in the Canadian financial services industry.[13] Said Flood, "This is consistent with our policy to become the employer of choice among financial institutions for Aboriginals as well as for other Canadians."

Beginning in 1991, CIBC offered summer internship programs for members of the Indigenous community taking post-secondary degrees to develop skills

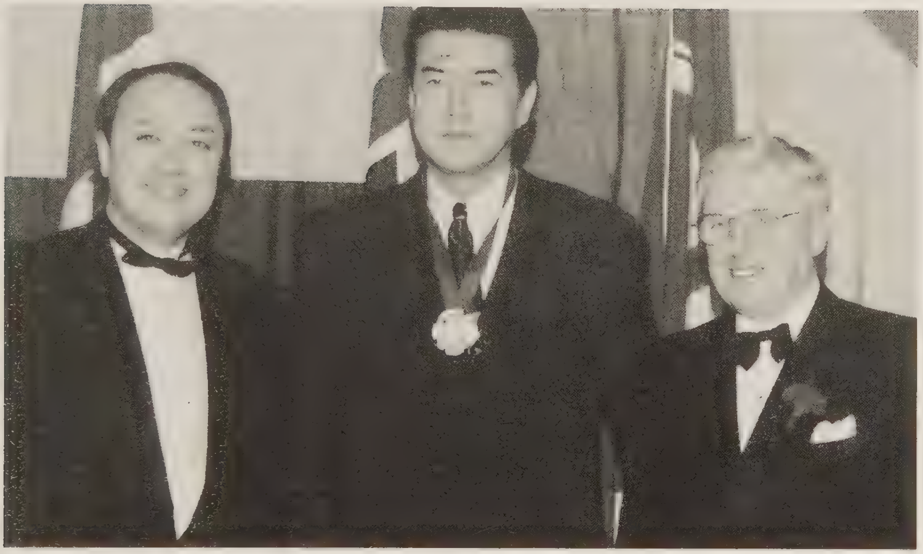
Rankin Inlet, Northwest Territories, 1976. In 1999, Rankin Inlet became part of the newly formed territory of Nunavut.

Opening day in Rankin Inlet, 1976.

and gain work experience. Typical was Holly Payton, an Ojibwa from Lakefield, Ontario, who worked summers at the bank beginning in 1993 while attending McMaster University in Hamilton, Ontario. According to Payton, the experience couldn't have been more positive, "opening my eyes to what CIBC can offer in career choices. It has opened so many doors for me." In 1996, forty-three students from across Canada took part in the internship program that provided scholarships and career opportunities at the bank upon graduation.[14]

In 1994, CIBC was lead corporate sponsor for the establishment of the National Aboriginal Achievement Awards organized by the Canadian Native Arts Foundation. Created as Canada's official tribute to the 1993 United Nations' International Year of the World's Indigenous People, the awards recognized twelve outstanding Indigenous achievers in a variety of professional fields including business, sports, health and medicine, education, and spirituality. The first annual ceremony held at the National Arts Centre in Ottawa was broadcast in a CBC television special. Among the winners were Inuit singer and songwriter Susan Aglukark, Métis housing and social service specialist Thelma Chalifoux, and Cree educator Verna Kirkness.

Donations from CIBC to help Indigenous students also included $210,000 to the University of Regina to establish a student small-business consulting centre



FROM LEFT: John Kim Bell, founder and chair of the Aboriginal Achievement Awards and president of the Canadian Native Arts Foundation; Tom Jackson, actor and award winner; and President Al Flood at the award ceremony in 1996.

on campus. "This centre will give small-business owners an easily accessible source of valuable business and management experience," said Kluge. "At the same time, it will provide students of the university and Saskatchewan Indian Federated College with the opportunity to gain vital and practical experience in their chosen fields."[15]

CIBC was the first Canadian bank to develop consumer lending guidelines that specifically addressed the unique social, cultural, legal, political, tax, and economic needs of Indigenous communities.[16] For example, because banks were prohibited from seizing the personal property of Status Indians on a reserve if they defaulted on a loan, under the new guidelines CIBC evaluated loan applications according to a number of factors, including the customer's credit history, ability to repay, and net worth. "So we do a lot of character lending," said Susan

Colbeck, manager of the CIBC branch on the Hobbema Reserve in Alberta. "We look at whether a customer is an upstanding member of the community. There's great potential for business on reserves all across Canada."[17]

The guidelines were distributed in 1995 to about 350 branches located on or near reserves. At the time, the bank had a presence on fourteen reserves, including full-service branches and ATMs. The guidelines went beyond financial considerations to compare Indigenous customs with non-Indigenous customs in such relevant areas as eye contact, conversational nuances, and saving face.

In 1996, CIBC named Cameron Brown as its first-ever national director, Aboriginal banking. Brown, who had previously been CIBC's regional manager of Aboriginal banking for British Columbia and Yukon, is a member of the Heiltsuk First Nation (Bella Bella) from British Columbia and had been a college professor and management consultant. Brown's role included ensuring fair access to financing and services as well as seeking joint ventures and strategic alliances. In addition to Brown, CIBC employed four regional managers for Aboriginal banking.

In 1997, CIBC launched an extensive website dedicated to the financial-service needs of Indigenous people. The site, unveiled at the Assembly of First Nations annual general meeting in Vancouver, featured information on business seminars, sources of financing, financial self-sufficiency, and employment opportunities. "The site is designed around the symbol of the medicine wheel, which is shared by many Aboriginal people and reflects CIBC's holistic approach to our Aboriginal customers," said Brown.[18]

The bank was also a founding sponsor of Blueprint for the Future, an Indigenous career fair that included speakers, workshops, and information booths. Held in Toronto in 1998, the fair attracted 700 attendees. "This conference gives us an opportunity to plant the seeds of career opportunities in the minds of students," said Lori Anderson, project manager for CIBC resourcing.[19]

In 1999, the bank announced three more initiatives. The first was a donation of $200,000 spread over two years for a program to help Indigenous students who were at risk of not completing their education. Second, it pledged $75,000 over three years for a seminar series on budgeting and business planning

for band councils conducted in association with Canadian Executive Search, a non-profit group of volunteer business advisors. The third initiative was a micro-lending program to provide capital for Indigenous entrepreneurs aged eighteen to thirty-four.

In the 1990s, the bank served about 30 percent of the Indigenous market. "It is a growing market," said Brown. "We estimate that the segment represents about $20 billion to $40 billion in market potential over the next fifteen years."[20] Other financial institutions kept Indigenous banking separate on an organizational basis. "We've grown the business from the bottom up and integrated it with the rest of CIBC's delivery network," said Brown. "This sets us apart from our competitors."

AS THE RECESSION of the early 1990s eased and better economic times returned, profitability soared. After 1992 when profit was only $12 million, CIBC earned $730 million in 1993, $890 million in 1994, and $1.02 billion in 1995, exceeding $1 billion for the first time. Royal Bank was the first bank to top the billion-dollar mark with a 1994 profit of $1.2 billion. For those who might complain about high fees amid such profits, Flood pointed out that the average bank account cost a customer $54 a year, while a newspaper cost $232 and cable TV $288.[21]

The media, often the first to criticize, was congratulatory about the bank's success. "In recent years, CIBC, long an underperforming company with a well-deserved reputation for complacency and arrogance, has remade itself into an aggressive and imaginative financial retailer," wrote Daniel Stoffman in *Canadian Business*. "As for the bad loans left over from the real estate debacle of the 1980s, most of them have been written off and a new risk management system is in place to make the bank less vulnerable to a crash in any one sector of the economy."[22]

While the profits spoke for themselves, a parallel operation of better image management began with the 1993 hiring of John Ferguson as senior vice-president, corporate communications and public affairs. "The bank was seen

as tired image-wise. It hadn't really paid much attention to how it managed its communications and had suffered some fairly significant reputational hits over the years," said Ferguson who had held a similar role at Canada Post and was formerly a journalist with Southam News Services.[23]

Surveys conducted in 1993 and 1994 showed that while CIBC was third among the banks when it came to the "most positive" impression, it ranked first when measured by "most negative."[24] "Flood wanted a better image. He wanted it more modern. He felt that the image needed to be managed," said Ferguson, who oversaw all internal and external communications, investor and government relations, and sponsorships.

Ferguson used a more focused approach than in the past. He redeployed the donations budget by emphasizing economic well-being, education, literacy, entrepreneurship, and youth unemployment, which was then running at 13 percent. The bank was a founding partner of the Canadian Youth Business Foundation, a non-profit organization that provided loans up to $15,000 for new businesses as well as mentoring and advice to young entrepreneurs. CIBC pledged $3 million in support of the foundation and committed to provide a $7 million line of credit. In the first year, 126 new businesses were created. Through another program called Youthvision, the bank promised $6.5 million over ten years in scholarships, donated $2 million to the University of Toronto for a chair in youth employment, and $450,000 to Frontier College in support of literacy.

CIBC continued to make donations to hospitals, arts and culture, and United Way campaigns, but it became more business-oriented with some of the larger gifts. The bank donated $1 million to the Rotman School of Management at the University of Toronto, $1.25 million to the Ivey School of Business at the University of Western Ontario, and $700,000 to the University of Waterloo to establish a Canadian Centre for the Management of Technological Change and Entrepreneurial Innovation. In 1996, CIBC was Canada's second-largest corporate donor, contributing $15.6 million to almost 1,000 charities and non-profit organizations.[25]

CIBC was the first bank to appoint an ombudsman to handle issues raised by small-business customers. Cliff Shirley, who had extensive experience in the bank, was named to the role in 1994 with duties expanded in 1996 to include retail customers. The bank also paid attention to members of Parliament. For example, the bank invited Nelson Riis (NDP–Kamloops) to spend a week at the bank in January 1995. He spent time in a branch, met senior management, visited the CIBC Leadership Centre, and attended a small-business seminar. An impressed Riis wrote a thank-you letter urging Flood to explain to the public "just where banks come into the funding of business ventures." If such action were takén, Riis said, "I believe the banks would come in for much less criticism on the street."[26]

Under Ferguson, the number of employees working on internal communications and relations with the media, governments, and investors tripled to three dozen. CIBC retained hockey star Wayne Gretzky, then playing for the New York Rangers, for advertising and promoting the bank's work with youth. Gretzky also made appearances such as one with Flood to ring the opening bell on November 13, 1997, when CIBC shares began trading on the New York Stock Exchange. "All the hard-bitten traders on the floor of the New York Stock Exchange were yelling at him and saying, 'Let's go Rangers, let's go Rangers,'" said Flood. "Wayne said, 'It feels like I'm at Madison Square Garden.' We walked across the floor of the stock exchange and all the television cameras were on us and some young journalist from Toronto said to me, 'Mr. Flood, you must be very disappointed. Mr. Gretzky's getting all the attention.' I said, 'That's what we're paying him for.' It was a great success."[27]

Of all the senior bankers, Flood was among the more active fundraisers with involvement in successful campaigns at University of Toronto, the Hospital for Sick Children, and Ryerson Polytechnic University. As 1994 campaign chair of the United Way of Greater Toronto, Flood and United Way president, Anne Golden made 120 calls on business leaders and others in a fourteen-week campaign that raised $48.5 million, a record amount at the time. "Al Flood was a

Al Flood (second from the left) announces CIBC's $2.8 million United Way donation in 1994.

remarkable leader," said campaign director Ted Garrard. "I learned a lot personally from his sound judgment, his ability to attract a superb team of volunteers and then to motivate them to get the job done. He had the ability to open doors in the community so that the United Way could deliver its message." That year, CIBC and its employees topped the United Way donor lists, matched by Royal Bank, with each giving $2.8 million.[28]

In 1994, Flood also unveiled a new logo. "While we've been undergoing significant change as an organization, our corporate image hasn't kept pace," he explained. "The more we expand our products and businesses, the more we need a strong and cohesive corporate identity."[29] The original chevron symbol was designed in 1966 for the bank's one-hundredth anniversary. In 1986, the chevron symbol was combined with the CIBC monogram, the four letters that had replaced the longer version of the name, Canadian Imperial Bank of

CIBC's original chevron logo, introduced in 1966, was just in time for the bank's centenary in 1967.

The modified chevron and use of the initials CIBC were introduced in 1986.

CIBC's logo, or "identity system" as it was referred to, underwent another update in 1994.

Commerce. The 1994 version saw the monogram increased in size with a chevron -inspired symbol.

The new logo was displayed publicly for the first time in June 1994 in conjunction with the unveiling of the renovated flagship branch — after three years of construction — at Commerce Court in Toronto. With 415 employees and more than 120,000 accounts, the branch managed $3.5 billion. The branch had fifty-eight customer service representatives, twenty-seven Instant Tellers, and eleven Instant Update machines. In September, the branch opened a mutual fund store, the first of its kind in Canada.

Another area needing an update was advertising. McKim Baker Lovick/BBDO, the bank's long-time ad agency, faced competition in a 1994 runoff. When

Padulo Integrated Inc. was invited to pitch a TV campaign, CEO Rick Padulo's presentation also included print, radio, brochures, direct mail, and posters. At the end of the presentation, Holger Kluge told Padulo he'd won the business. Said Padulo, "I was so frickin' excited that right then and there I ran five steps, slid down on one knee, pumped my fist à la Gretzky, and yelled, 'Yes!'" After a few seconds of stunned silence, Kluge laughed and said, "That's one of the main reasons you got the business — your passion."[30] The national campaign, "Seeing Beyond," continued throughout Flood's time as CEO.

For Flood, the challenge of change was akin to a revolution. In a speech delivered in 1996, he reminisced about the nature of banking that he knew as a young man at a time when the ballpoint pen was considered a major technological breakthrough. "These days, that trader in red suspenders is as likely to possess a doctorate in mathematics and an MBA. A typical deal can connect investors and issuers from opposite ends of the world, with a bond issued by a Canadian but with the principal denominated in Yen and the coupon in Australian dollars. The underlying transaction can be hedged by options and futures which can be adjusted instantly on a twenty-four-hour basis," he said.[31]

Flood had in mind three major initiatives. First, acquire Canada Trust, the country's largest trust company, so CIBC would leapfrog past Royal to be number one in assets. Second, expand CIBC Wood Gundy in New York in order to match the heft and profitability of the Wall Street firms that dominated global finance. And third, acquire a U.S. bank and then maybe move on to Mexico, thereby creating the first full-scale North American financial institution.

19

Let's Make a Deal

As if the many weighty decisions that might create growth weren't enough to worry about, Al Flood also faced a domestic predicament: the possible breakup of Canada. In the 1960s, terrorists in Montreal had planted bombs in mailboxes and the Montreal Stock Exchange. The 1970 kidnapping by the Front de Libération du Quebec of James Cross, the British trade commissioner, and the assassination of Quebec labour minister Pierre Laporte had led to the invocation by Ottawa of the War Measures Act. Hundreds were arrested. The 1976 election of René Lévesque's Parti Québécois gave political credibility to the separatist movement and sent the Canadian dollar into a long-term slide against the U.S. dollar. A

1980 referendum in Quebec rejected sovereignty by a margin of 59.6 percent to 40.4 percent. By the 1990s, Canada had suffered through three decades of uncertainty over Quebec's place in Confederation. The sovereignty issue was hurting both Canada's image abroad as well as its financial viability. In 1992, Flood issued a statement saying, "The opportunities to become a great competitive nation will never be fully exploited — nor will their benefits ever be fully enjoyed — if we continue to tear ourselves asunder over national unity."[1]

Anxiety peaked again in 1995 after the Quebec government called for a second referendum. A Quebec task force, headed by Josh Mendelsohn, CIBC's chief economist, had been established in 1994 made up of sixteen individuals representing a wide range of bank divisions. The group devised measures to deal with any liquidity crisis if there were a vote in favour of a sovereign Quebec. A McKinsey study found that $7–10 billion could flow out of CIBC if there were a "yes" vote. CIBC share price would drop, interest rates would spike, and the value of the Canadian dollar would fall. The Mendelsohn task force proposed assembling backup funds and increasing deposit interest rates to convince customers to leave their money where it was.[2] As the referendum approached, the bank raised US$7 billion to provide excess standby liquidity.[3]

On the night of the vote, October 30, 1995, Gerry Beasley, senior executive vice-president, risk management, headed a group in Toronto monitoring the results, along with another gathering in Montreal led by André Petit, senior vice-president, Quebec. They stayed in contact with the trading floor, ready to take whatever action was necessary. The results could hardly have been closer; the "no" side won by a narrow margin of 50.6 percent to 49.4 percent. A statement by Flood was issued for internal use and when talking to the general

public. "I would urge you to emphasize that longer-term resolution of this issue will require dedication and calm on all sides," said Flood. "We are committed to our employees and our business in the Quebec market."[4]

COMMITMENT TO CANADA took many forms. Anne Cira held nineteen different jobs at the bank, from teller to senior vice-president, during her career from 1974 to 1999. But among all of Cira's accomplishments, she is most proud of her involvement in the CIBC Run for the Cure. Initially called the Honda Run for the Cure, the first event in Toronto's High Park in 1992 attracted 1,500 participants and raised $80,000 for the Canadian Breast Cancer Foundation. The Run for the Cure is a five-kilometre or one-kilometre walk or run with participants obtaining pledges for donations from family and friends.

Cira heard about the fundraiser and decided to take part the following year because her mother had been diagnosed with breast cancer eight years earlier. Cira asked ten of her colleagues to help organize Team CIBC. "We got a phenomenal response. I shouldn't have been surprised because, at that point in time, 77 percent of the CIBC employees were women."[5] The chances of a woman getting breast cancer are one in eight. In 1993, the 326-member Team CIBC raised $70,000 and was awarded the team trophy. "I was a bit of an instigator for CIBC to get involved, initially by encouraging my colleagues and friends to participate, but then things really started to take off," she said. Cira approached Jane Rogers, director of community investment and public affairs, urging that the bank replace Honda as the top sponsor. Rogers agreed. The Canadian Cancer Society Run for the Cure has become the largest single-day, volunteer-led event in Canada in support of breast cancer.[6] In 2017, the Canadian Breast Cancer Foundation merged with the Canadian Cancer Society.

As one of the largest corporate donors in Canada, CIBC's annual donations budget rose from $9 million in 1992 to $28 million in 1999. Causes supported ranged from Junior Achievement to YMCA/YWCA, from small-business job creation to Big Sisters programs. One project, Computers for Schools, provided 6,000

refurbished computers to schools across Canada. CIBC also sponsored Festival 500 Sharing the Voices to celebrate the 500th anniversary of John Cabot reaching Newfoundland and Labrador.

Queen's School of Business received a $1.5 million commitment to establish a professorship in entrepreneurial studies. The bank was a major supporter of Le club des petits déjeuners that annually served 570,000 breakfasts to children in Quebec who otherwise would go without. In 1999, CIBC donated $1.25 million to London hospitals for women's health, $2 million to the Hospital for Sick Children for a chair in child health research, and 2.5 million pennies to the Power of Pennies campaign in support of National Kids' Day. U.S. activities included the CIBC/New York Rangers Children's Charities Program and the Canadian Spotlight Series, featuring Canadian playwrights and performers.

From 1994 until her retirement in 2013, Valerie Ledger was intimately involved with the bank's donations program. After graduating grade twelve

CIBC is recognized for its support of the Festival 500 in Newfoundland and Labrador in 1997. FROM LEFT Brian Tobin, premier, John Bromehed, district manager, John Webber, regional manager; and Sandra Kelly, minister of tourism.

in 1966, she joined CIBC in Caledonia, Ontario, eventually becoming a branch manager. In banking, with a name like Ledger, the comments were inevitable. Her nickname was "General." "I was a tough nut," said Ledger, "but in all my time, I can count on one hand the number of people I couldn't get along with."[7] Training was carried out on the job, and Ledger did her share. In 1987, when she moved to branch audit in head office, "It was surprising how many people in Toronto that I'd known in the branches, including a senior vice-president."

At first, the role running the bank's participation in the United Way Campaign for Greater Toronto took four months a year but later increased to six months. She sent material to branches, handled pledges, set up payroll deductions, and oversaw all organizational aspects. The procedures moved from manual to automated; her methods spread to other CIBC offices. "The biggest thing was to have fun with it — and you're helping people, too," said Ledger. In 2003, Ledger was awarded Employee Campaign Chair of the Year by the United Way of Greater Toronto.

Typical of other CIBC bankers across the country was Bernie Desaulniers, who started with the bank in 1972 and by 1996 was manager of the Meadowlark Shopping Centre in Edmonton. Desaulniers's volunteer work began with the Kinsmen and over the years grew to include Little League Baseball, chair of the School Parent Advisory Council, the United Way, and church activities. "Society and the community generally would be a much better place if everyone would just volunteer some of their time," said Desaulniers, a single parent. "My colleagues at CIBC take the financial support provided by the bank and put it to work in our communities. CIBC is really the sum of all the committed employees you meet every day."[8]

MEANWHILE, the competitive business of banking continued apace. In 1993, National Bank and Laurentian Bank each bought parts of General Trustco, TD took over Central Guaranty Trust, and Bank of Montreal started its own trust company. Flood had told the management committee that he did not see much

value in buying either National Trust or Royal Trust. National Trust would bring an increased deposit base but not much else, he said.[9] CIBC already owned 7 percent of National Trust, but acquiring the firm might mean closing many branches. Of National's 171 branches across Canada, all but five were in communities where CIBC already had a presence.[10] In March, Royal Bank acquired Royal Trust. As a result, Royal had the largest market share — 25 percent — of the wealth management business. CIBC had only 5 percent.

Flood showed more enthusiasm for Montreal Trust's sixty-four branches and 4,000 employees, an acquisition that would increase CIBC's market share to 22 percent.[11] In June 1993, CIBC Vice Chairman Iain Ronald entered into negotiations with BCE Inc., owners of Montreal Trust. The bank made an offer; talks continued into the fall. In late November, with preliminary due diligence under way, Ronald was still giving regular progress reports to the board. Suddenly, on December 2, BCE announced that Montreal Trust had been sold to Scotiabank. Matters had dragged on too long for BCE's liking. "They had a very long period of, in effect, exclusive negotiations," said BCE Chairman and CEO Lynton (Red) Wilson. "It was theirs to lose."[12] And lose it they did, after BCE claimed it got fed up with CIBC requesting too many changes to the deal.

IN THE FACE of such shifting landscapes, flexibility was an essential quality for bankers at all levels. Bob Steeves joined the bank in 1961, a week after the amalgamation that created CIBC. He worked in various branches in Atlantic Canada but then left for Imperial Oil as plant superintendent during construction of the Churchill Falls hydroelectric power station in Labrador. He returned as a CIBC branch manager in Gander, Newfoundland. "I'm a born-again banker," said Steeves. "I decided maybe banking wasn't so bad after all."[13]

After three years in Gander, during which time Steeves almost doubled the size of the branch, he moved to the credit department in Halifax. Steeves became a senior inspector and then a senior account manager in commercial banking in the early 1990s. For Steeves, one of the best changes the bank made under Flood

was to flatten the organization so he could deal directly with Toronto on loans over his personal limit of $1 million.

Able to speak directly to head office, approval time fell from as much as ten days to as little as three. "My time out of the bank made me a better banker," said Steeves. "I always felt that the commercial account manager had two hats. One, you're representing the bank to the client, and the other you're representing the client to the bank. You had to balance those two and be fair to both." That attitude mirrored Flood's methodology of being first and being fair.

CIBC's Louise Stonehouse (LEFT) and Ted Cadsby (RIGHT) with TAL Funds President Gisele Wilson.

Mutual funds had become a growth industry. From 1987 to 1993, Canadian banks had tripled the all-bank market share of the business from 8.7 percent to 24.9 percent. Studies showed that assets in mutual funds would total $300 billion by 2000 with up to 50 percent of that amount held by the banks.[14]

In 1994, CIBC acquired a 55 percent stake in T.A.L. Investment Counsel Ltd. of Montreal. The company had $22 billion in pensions and mutual funds under management, ranking it first in pensions and fourth in mutual funds.

In 1995, CIBC acquired FirstLine Trust, a firm that offered residential mortgages through independent brokers and was the leading company in Canada for mortgage securitization, the conversion of mortgages for sale to investors.

CANADA TRUST was the last major trust company left standing. Acquiring Canada Trust would have been transformational with its two million customers, more than 400 branches, and 12,000 employees. A combined CIBC-CT would have been the largest financial institution in Canada with $232 billion in assets

versus Royal's $184 billion.[15] Canada Trust also had a greater proportion of high-value customers (30 percent of total customers versus CIBC's 18 percent), the very market the bank so actively sought. The combined entity would have created a market leader in key geographic areas, such as Ontario, as well as in product lines including residential mortgages, GICs, and wealth management.[16]

Flood spoke to Martin Broughton, the London-based chairman of BAT Industries PLC, owners of Imasco Ltd., which in turn owned Canada Trust through CT Financial Services Inc.[17] Broughton said BAT would entertain an offer for Canada Trust and on February 17, 1996, the board's executive committee approved negotiations.

After several months, with a deal imminent, the agreed-upon price for Canada Trust was $4.2 billion. A confidentiality agreement allowing due diligence by each party of the other's books was signed on December 14, 1996, by CIBC CFO John Doran and Canada Trust COO John Schucht.[18] Other elements set out in the letter included the understanding that if the deal did not go through, neither side could try to hire personnel from the other for a period of eighteen months.

Ottawa's approval was required, so Flood presented the deal to Finance Minister Paul Martin. "We had consummated the transaction and then all we needed was the minister's approval," said Flood. The response came within a matter of days. "An associate deputy minister phoned me back with the answer, saying it had been turned down."[19] Flood passed along the bad news to his colleagues on December 20, 1996, the Friday before Christmas.

Flood had made every effort to keep federal politicians favourably informed about the bank's activities. In May 1996, the CIBC board held its regular monthly meeting at the National Arts Centre in Ottawa. The two-day affair included presentations from Martin; Michael Kirby, chair of the Senate Committee on Banking, Trade and Commerce; and Jim Peterson, chair of the House of Commons Standing Committee on Finance. There was a breakfast with the Reform Party caucus and receptions on successive evenings. One was held at the Chateau Laurier Hotel where 300 bank employees mingled with the invitees; the second at the National Art Gallery included 700 CIBC clients, government officials, and local dignitaries.

At the same time, CIBC began running in the Ottawa market its first corporate image advertising focusing on local investment. The theme, "Community Vision," highlighted such undertakings as a partnership with Carleton University to help regional development in eastern Ontario. Donations were also made to the University of Ottawa, Algonquin College, and the Children's Hospital of Eastern Ontario.[20] The campaign later spread to other communities in Canada.

Flood was disappointed with Ottawa's decision on Canada Trust. "The indication was that they were concerned about employment in southern Ontario. Looking back, the timing wasn't right for the government to make a move. We were ahead of our time, that's all," said Flood. "You have to try to put yourself in the shoes of the decision-makers. I think if you understand how the political system works, you appreciate their position."[21]

There was speculation that, with an election in the offing, the government didn't want a high-profile financial services merger to become an issue during the campaign. Indeed, an election was called the next spring, a year and a half before Prime Minister Jean Chrétien's mandate was set to expire. In June 1997, the Liberals were reelected but with a reduced majority.

Whatever Ottawa's rationale, the decision hurt the bank. Said Pat Delbridge, a director from 1993 to 2006, "If you'd asked me as a board member, 'Which do you think was the biggest lost opportunity?' I would say the Canada Trust negotiation because, of course, TD eventually got it."[22] (TD paid $8 billion for Canada Trust in 2000.) "One of the problems that the bank struggled with is they never acquired a trust company," said bank director Bill Etherington, senior vice-president, IBM Corp. "My mentor was Don Fullerton and he kept explaining to me, 'A trust company gives you a source of funding. Otherwise you have to borrow the money every night on the overnight market.' He said we were disadvantaged because we don't have that large trust base of investment backing us up."[23]

SUCCESS CAME IN OTHER FINANCIAL SERVICES. The bank had sold life insurance on consumer loans and mortgages, called creditor insurance, since 1978. New

legislation, which came into effect on May 1, 1992, allowed the sale of additional types of insurance through bank subsidiaries but not directly to consumers in the branches. Looking to get into broader aspects of insurance, CIBC recruited Dwight Lacey, chief operating officer of Wellington Insurance Co. and Gabe Kalmar from Crown Life Insurance Co. "This is the boldest move planned by any of the big banks so far into turf from which they were long excluded," reported the *Globe and Mail*.[24]

In November 1993, CIBC was the first Canadian bank to launch its own insurance company, with Lacey as CEO of CIBC Insurance and Kalmar as president and chief operating officer of CIBC Life Insurance Co. CIBC then introduced travel medical and accidental death. In 1994, CIBC acquired the Personal Insurance Co. of Canada, the largest employer-sponsored group home and auto insurance company in Canada with 325 corporate clients and 190,000 individual employee policies generating $120 million in annual premium income.[25] CIBC also became the first major Canadian bank to underwrite and sell term life insurance.[26] In 1995, CIBC was the first bank to underwrite and sell auto insurance through Direct Auto Insurance.[27] That year, more than 500,000 Canadians called the bank requesting information about insurance products.

By 1995, CIBC Insurance had about 800 employees in seven cities across Canada serving more than two million customers with a full range of offerings.[28] In 1997, it entered into talks with Mutual Life of Canada. In the end, because federal policy still did not permit life insurance to be sold in the branches, CIBC decided that such a major acquisition made little sense. As the industry consolidated, Mutual, later called Clarica Life, was bought by Sun Life. Great-West acquired London Life and Canada Life. After Flood's retirement as CEO in 1999, the bank exited from all life insurance products not directly associated with consumer loans but continued to offer home and auto insurance.[29] "We cut it off too early," said Kalmar. "If we had stayed in it, I think it would be a very profitable piece of the CIBC."

EVEN BEFORE he became chairman and CEO, Al Flood believed the bank should make an acquisition in the U.S. so CIBC could be a North American player. "We want to buy a bank that is at least number three in its market and in a market that has good growth potential," he said in a speech given in 1991, when he was still president, Corporate Bank.[30] His vision was as specific as it was far-reaching: "We are looking for first class management which has the same vision of becoming a strong North American bank. We would prefer to acquire a U.S. bank whose market is relatively close to CIBC's head office in Toronto."

Flood's interest in acquiring a U.S. bank was a continuation of Don Fullerton's expansive thinking. A 1990 internal document proposed "The Bank of the Americas," a partnership that would embrace institutions in Canada, the U.S., and Mexico.[31] That concept foresaw a U.S. bank holding company comprised of six U.S. banks (BankAmerica, Bankers Trust, Keycorp, NCNB, Northern Trust, and Norwest Corp.); two Canadian banks (CIBC and Scotiabank); and one Mexican bank (Bancomer). Total assets would be US$441 billion. "The group would be dominant in North America, well capitalized with technologically driven product support, and a good business mix," said the paper.

With the Canadian market relatively small — just one-tenth of the U.S. population and making up only 3 percent of global stock markets — Canadian banks had long sought inroads into far-flung foreign markets, but the United States was always everyone's first choice. Bank clients already did business there; the U.S. was so big and so achingly close.

Flood kept in touch with a New York firm, Keefe, Bruyette & Woods, which put merger and acquisition deals together, so he could stay abreast of prospects. He also established an internal task force to look at U.S. acquisition opportunities. The costs of an acquisition in the U.S., however, were beginning to rise as institutions recovered from the recession of the early 1990s. "The number of banks you could buy — or you could afford to buy — wasn't that great, and what you actually got for your money wasn't all that impressive," said Pat Meredith whose role as strategist was to find a target bank in the U.S.[32]

The conclusion was that the only real possibility was Mellon Bank, an institution that had intrigued Fullerton, too. In February 1996, CIBC formed a joint venture with Mellon called CIBC Mellon Global Securities Services, the first partnership of its kind for a Canadian and U.S. financial institution. The new company had $140 billion in assets, 850 employees at eight locations across Canada, offering services such as safekeeping for share certificates, multicurrency accounting, securities lending, and foreign exchange. The joint venture was third in assets behind Royal Trust Group and Canada Trust.[33] In 1997, CIBC Mellon acquired the trust and custody business of Canada Trust, boosting the organization to second place in the custody business in Canada.

If the bank could do a joint venture with Mellon, maybe a full merger was possible. (Canada's banks were protected from foreign takeovers. Mellon could not acquire more than 20 percent of CIBC without approval from the minister of finance.) Measured by assets, such a merger would have made CIBC the largest bank in Canada, sixth among North American banks, just ahead of Royal Bank, and right behind JP Morgan. Even without any merger, by the first quarter of 1998, the bank's assets surpassed Royal's, $283 billion to $257 billion, making CIBC the biggest bank in Canada.[34]

The celebration was subdued. Assets no longer mattered as much as a measuring stick. Market capitalization (share price times the number of shares) had become more relevant. On that basis, CIBC was falling badly behind. In 1990, with a market cap of US$3.4 billion, it was the tenth biggest bank in North America. By 1996, despite more than doubling its market cap to US$8.5 billion, CIBC ranked twenty-third. By comparison, Chase Manhattan had grown from US$2.4 billion to US$38.5 billion during the same period.[35]

In February 1996, Flood, Meredith, and John Hunkin met in Pittsburgh, Pennsylvania, with Mellon chairman and CEO Frank Cahouet and some of his senior officers for dinner in Mellon's executive dining room. They reviewed research about a merger and discussed establishing a holding company as a possible vehicle. There was, however, little chemistry between the two CEOs. Said Meredith, "It was like going to a high school dance where the girls stand on

one side and the boys stand on the other side. Then you tentatively watched the two CEOs kind of drift together and, you know, maybe he'll ask her to dance and they don't, and they go back to their walls."[36]

A question on the minds of both men might have been: If there's a merger, who becomes CEO? Even so, there was sufficient momentum for Flood and Cahouet to hold two follow-up meetings in April, one in Pittsburgh and the other in Phoenix, where the two CEOs were attending a banking conference. Talks about more joint-venture possibilities — including wholesale banking, asset management, and credit cards — continued between the two banks. Flood was not fully a fan and expressed some concern about alliances and joint ventures because they could restrict the future freedom of the partners to act independently. Talks finally petered out. (Mellon eventually merged with Bank of New York in 2007.)

In October 1997, Flood reported to the board that during the previous month he'd attended the annual meetings of the World Bank Group and International Monetary Fund in Hong Kong. While there, Flood received various overtures including one from Matthew Barrett, CEO of Bank of Montreal, about the possibility of a merger with CIBC. At the time, Flood gave the idea short shrift. "I think Matt approached everybody that way. The other banks talked about that, too, that they'd been approached by Matt," said Flood. "I guess he was a bit frustrated from where he was sitting. There was a lot of consolidation going on in Europe and U.S.A. and I guess he had sort of a burning desire to make some changes."[37] In October, when Flood officially informed the board about Barrett's approach, directors suggested that Flood should speak to other Canadian bank CEOs. Merger talks would soon dominate bankers' every conversation.

20

Risky Business

Among the many changes made by Al Flood during his time as CEO, none was more tectonic than the conversion of investment and corporate bank into an integrated global investment bank. "With Wood Gundy and the corporate bank, it was like they were different institutions," said Dominic Barton of McKinsey who helped John Hunkin and his team change course. "The corporate bankers felt they were the ones with the relationships, but the investment bankers were earning all the money. We recommended thinking more holistically, thinking like a client, what their needs are, and having client service team leaders."[1]

Hunkin presented the ambitious plans for a global investment bank to the board in March 1994. He told directors that for more than a decade, CIBC's best customers had been cutting back on traditional bank loans and were fulfilling their financing needs using other means such as securitization. (In the past, one bank would handle all aspects of a corporate loan from raising the funds to collecting principal and interest. Under securitization, numerous financial services players would be involved in origination, underwriting, insuring, and servicing.) As a result, the bank had lost business from clients of long standing and had been forced into dealing with riskier firms, thereby suffering higher loan losses and poor results.[2]

Hunkin proposed a five-year plan focused on high-value clients that reinvented his division into a global investment bank. He predicted annual profit for the group would rise from current levels of $140 million to $1 billion in 2000. A major plank was expanding the number of financial products available, with a focus on derivatives, using hired professionals, and operating twenty-four hours a day. "More than a financial product, derivatives are a strategic capability," said Hunkin. "They allow companies to separate, transfer, or transform financial risks that historically were viewed as inherent and inseparable."[3]

In November 1994, corporate and investment banking were combined worldwide. Called CIBC Wood Gundy, the innovative entity was the first of its kind in the Canadian financial services industry. "There will probably be losses from time to time," Flood told shareholders at the January 1995 annual meeting. "But we have gone through quite a process to minimize the risk."[4]

THE JOB OF HIRING derivatives professionals and other specialists in New York and around the world was given to Jim Beqaj, who joined Wood Gundy in 1977 and in 1992 was named president of Wood Gundy Inc. "Our greatest asset was that we had a client base in the United States and we had a client base around the world, in addition to our Canadian one, and so all we needed to do was build the product," said Beqaj. "In order to build the product, we needed the people."[5]

In June 1994, Beqaj's first New York recruits were a five-member equity derivatives team from Lehman Brothers headed by Mike Rulle. Six more came from Lehman in August for a total of two dozen in all. "In the early '90s, the Canadian banks were among the top ten largest banks in the world. I realized that they had the wherewithal to do what they wanted to do," said Rulle. "The pitch from Jim was that just like Deutsche Bank, UBS, and many others, CIBC was going to begin moving into global capital markets. Jim was a very dynamic guy; he was a driver of this change process."[6] Over a two-year period, 1994–96, Beqaj recruited more than 400 specialists globally.

CIBC Wood Gundy also established the CIBC School of Financial Products. Hired to head the school was Charles W. Smithson, a noted author, academic, and board member of the International Swaps and Derivatives Association. The school drew more than 7,000 CIBC clients and prospects in seventy-five cities across twenty-five countries. The school also conducted seventy-one sessions worldwide for about 2,300 CIBC employees and held six meetings for regulators and the media.[7]

None of the other Canadian banks, all of which had bought brokerage firms in 1987, pursued similar integration until 1998 when Royal Bank and its investment banking arm, Dominion Securities, were brought together. "CIBC Wood Gundy has led the way in marrying commercial and investment banking operations," reported *Euromoney* magazine in 1996.[8] Integration continued in January 1997 when the board approved a $7.8 million expenditure to consolidate and relocate the former investment and corporate banks onto three floors in BCE Place — an office tower next door to Commerce Court — with plans for further growth.[9]

Flood's speech to the annual general meeting that same month celebrated the revolution from within. "In the last decade, we have experienced more change than in any other period in our history. Ten years ago, we were a traditional, commercial bank. Today, we are a broadly based financial services company, offering hundreds of products and services to individuals and businesses, large and small, at home and around the world," he said.[10]

But not everyone involved was happy with the new directions. In fall 1995, a special meeting was called for all CIBC Wood Gundy professionals in the concert hall of Toronto's Royal York Hotel. There were speeches by Hunkin and Flood to build morale, but for some attendees the meeting only made them aware of how much the firm had grown and how many of their new colleagues they did not know. In the first six months of 1996, more than two dozen top-ranked individuals left CIBC Wood Gundy because they wanted no part of the more integrated organization. "Being a leader has its price," said Hunkin. "We have to move with our clients. There is no choice. If we come through the door with our total capability, where we can look at any piece of the balance sheet from senior debt down through equity, we can solve any problem."[11]

Most of Hunkin's troops — new and old — were willing to pay that price. "John was not without flaws as a manager, as an executive, but he was a great guy to work for," said Ron Lalonde, who joined Wood Gundy in 1987, moved to CIBC in 1991 as chief financial officer of the Investment Bank, and then served as managing director of CIBC Wood Gundy in London from 1994 to 1997. "He took advice, he let you run with things, he was personable and engaging. He inspired a lot of loyalty and goodwill amongst the people that worked with him."[12]

CIBC was up against stiff competition from established American firms on Wall Street. "You're taking on the riskier clients because the least risky clients go to the top five. You push the envelope harder because in order to be a serious contender in that market you've got to be in the top ten product by product," said bank strategist Pat Meredith. "Everybody knows who the best is in this business, and the rest compete like crazy to try to break in. So you've got this little Canadian bank trying to compete in this global business against players that have got way more size and resources than we did."[13]

While investment banking and trading dominated the wholesale bank, a third area — brokerage and private wealth — was quietly succeeding under Gerry McCaughey, who in 1995 was named president and CEO of private client investments (PCI). McCaughey started at Merrill Lynch Canada in 1981 and joined Wood Gundy when the brokerage firm was acquired in 1990. At inception,

PCI administered $16 billion in assets. PCI clients had investments of $50,000 or more, or at least $40,000 in RRSPs. Almost 60,000 PCI clients had RRSPs, and the goal was to increase that number to 100,000 in two years.[14]

But organic growth by itself would never put CIBC Wood Gundy into the top ten on Wall Street. Acquisitions, however, could. In 1995, CIBC bought the Argosy Group of New York, a financing firm with about sixty employees specializing in the high-yield debt market, more commonly known as junk bonds. During the previous year, Argosy placed more than US$500 million in junk bonds. "Their ability to expand was limited by their own personal capital," said Hunkin. "Now they don't have that limitation because we bring the bank's balance sheet and resources to the table."[15]

In 1997, CIBC expanded again by acquiring Oppenheimer & Co. Inc., one of the last privately owned, full-service securities firms in the U.S. McCaughey was not as enthusiastic as some members of the executive team. "We have other strategic objectives in Canada that we're focused on with the resources and the management team we have available. We feel that we've got our hands full," said McCaughey at the time.[16] While the investment bank might gain an advantage from buying Oppenheimer, the retail brokerage side would not, in his opinion. "There were no synergies, they were paid differently, the products were different, the regulation was different, the technology was different. We had no comparative advantage and no scale," he said. Wood Gundy's 600 brokers in Canada might be a suitable size for the domestic market, but Oppenheimer's 600 brokers paled beside U.S. competitors, some of which had thousands of brokers. McCaughey made his case but couldn't convince Hunkin who asked him to move to New York to oversee the acquisition.

Founded in 1950, Oppenheimer had 3,000 employees in the U.S. and abroad. CIBC paid US$525 million, consisting of US$350 million in cash plus a pool of up to US$175 million to help retain key employees. McCaughey spent two years in New York in charge of compliance, updating technology, and making sure that compensation, benefits, sales practices, and marketing strategy were all best practices in the U.S. context. With the addition of Oppenheimer, CIBC Wood

Gundy had 8,000 employees in thirty cities and fourteen countries with annual revenues of US$3.5 billion.

According to a commentary by SNL Securities, a Hoboken, New Jersey, research firm, "It looks as though CIBC got itself quite a deal," adding that the price paid for Oppenheimer was "a throwback to a simpler time" compared with recent comparable deals such as when NationsBank bought Montgomery Securities and Swiss Bank Corp. acquired Dillon, Read.[17] "The Oppenheimer brokerage business may be the key to unlock the frustrations we have felt in finding retail opportunities in the United States," said Flood. "It may be possible to use it as a platform to provide us with access to high-net-worth clients and then broaden our product range."[18]

CIBC Wood Gundy was at the same time shedding North American corporate clients who had loans but didn't use any of the firm's other financial services. Said David Kassie, who joined Wood Gundy in 1979 and by 1997 was chairman, CIBC capital partners, "When you looked at the loan book, it was a very low return on equity business because you were earning little net interest margin spreads. Unless you were selling other products to those companies, basically you were destroying shareholder value."[19]

Despite so much disruptive change, 1997 was Al Flood's best year as CEO. CIBC's annual profit was $1.55 billion, more than double the $730 million profit in 1993, his first full year on the job. Share price rose by 188 percent over the same period, contributing to an average annual total return to shareholders (including reinvested dividends) of almost 30 percent. Return on equity was 17.7 percent, up from 10.6 percent in 1993, thereby meeting Flood's long-term target.[20] Almost 40 percent of the bank's 1997 profit came from CIBC Wood Gundy, renamed CIBC World Markets in November. The annual Christmas party was held at a restaurant in Toronto's Yorkville neighbourhood; Hunkin's gift from his team that night was a globe bearing a plaque that read "Global Visionary."

For a while, success continued. CIBC World Markets earned $14 million a day in the period from November through January, $16.6 million per day in February, and $17.5 million per day in March.[21] To promote the new name, CIBC World

Markets, a series of ads began running in April 1998 on financial cable television news networks CNNfn and CNBC as well as full-page colour ads in the *Wall Street Journal* and the *New York Times*. The TV ad showed glum Wall Streeters plodding up the outside steps of a building when suddenly a Humvee comes bouncing past filled with fearless financiers. Asks one observer, "Who are those guys?" "CIBC World Markets," replies his companion, seemingly agog at merely being in the presence of such masters of the universe. Explained Debra Douglass, managing director of marketing and communications, "Not everyone knows who we are. And this is a tongue-in-cheek way of saying we'd like to be better known by our potential customer base. It's also a way of pointing up our philosophy, saying we are inventive and will go the extra mile."[22]

But in real life, the ride was getting rough even for an all-terrain vehicle. In December 1997, members of Oppenheimer's legal, compliance, and internal audit groups met with their CIBC counterparts for a three-day conference at the CIBC Leadership Centre. Based on his conversations with Oppenheimer attendees, Derek Hayes, executive vice-president, corporate governance, concluded that integration would be more difficult than previously thought given CIBC's and Oppenheimer's different corporate cultures, those intangible behaviours built up over time that comprise how management interacts with employees and outsiders as well as how employees deal each other.

Poor timing and a lack of executive talent also played a role. "We were maybe a little late coming to the party," said Flood. "What we really needed there was two or three up-and-coming people that would take charge at Oppenheimer, but we just didn't have that. And our own people were stretched a bit. I would say it was more of a people problem than a strategic problem. I thought it might have been better than it turned out, but I wasn't totally disappointed."[23]

In 1998, Oppenheimer was placed on the New York Stock Exchange watch list. "If a company loses money three months in a row, it must file every week," Derek Hayes told the management committee. "It is well capitalized but has lost money every month. The Fed came down hard on the old Oppenheimer's firm's audit and compliance groups but was complimentary about CIBC's

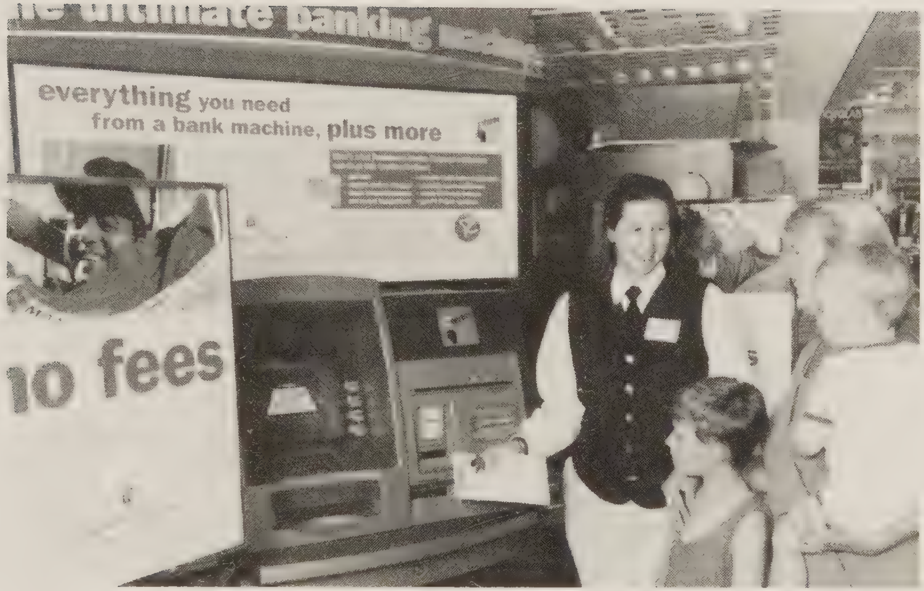
audit and compliance. We are working on fixing Oppenheimer," Hayes said.[24] Oppenheimer wasn't the only problem. Everyone was suffering. In 1998, there were economic troubles in Asia, Russia defaulted on its debt, and Long-Term Capital Management — a hedge fund that included two Nobel Prize winners in Economic Sciences on its board — was bailed out under the supervision of the Federal Reserve.

At fiscal year-end, October 31, 1998, CIBC's results were the worst among the big five Canadian banks. Annual profit was still a healthy $1 billion but was down more than one-third from $1.6 billion the previous year. Return on equity fell year-over-year from 17.7 percent to 10.3 percent, below the 1993 level of 10.6 percent when Flood was just settling in as CEO. By the end of the calendar year, CIBC share price had fallen to $31.70 from a high in April of $59.80.[25]

In March 1994, Hunkin had told the board that his division would earn $1 billion in 2000. Instead of continued growth in that direction, in 1998 CIBC World Markets' net income after taxes was $37 million, down from $576 million the previous year. Said Hunkin, "Our industry is known for its ups and downs, but this was an exceptional time that has only occurred twice in the last thirty years."[26]

Hunkin took immediate action, cutting costs by $200 million, freezing salaries through 1999, and trimming staff by more than 500, or about 6 percent of the total workforce. CIBC World Markets also exited such business lines as emerging market debt, mortgage-backed securities, and risk arbitrage. Activities in Europe and Asia were consolidated.[27]

In contrast, volatile international markets had little impact in Canada where operations enjoyed excellent results. In 1998, CIBC Wood Gundy ranked ahead of all other Canadian investment banking firms in terms of corporate deals, initial public offerings, and merger and acquisition transactions.[28] Profits in Personal and Commercial Bank in 1998 were a record $1.1 billion, up from $548 million in 1994. Personal and Commercial had 6.5 million customers and was the market leader in online banking with 320,000 registered customers, had the largest ATM network in Canada, and was the leader in telephone banking with more than 1.5 million customers.



President's Choice Financial (PCF) targeted the seven million people who visited Loblaw's stores every week.

Because of the retail bank's top-rank standing in electronic banking, in 1989 CIBC pioneered the in-store bank concept in Canada by opening a financial services centre in the Overwaitea food and drugs outlet in the Columbia Place Shopping Centre in Kamloops, B.C. Store customers could open an account, purchase travellers' cheques, or apply for a loan or a mortgage. The centre was staffed by customer service and consumer loans officers from 8 a.m. to 10 p.m. seven days a week. Routine transactions were done through full-service CIBC ATMs on the premises. The concept was so successful that in 1991, CIBC and A&P reached an agreement to establish full-service banking centres in the food chain's Ontario stores. Available products included loans, mortgages, RRSPs, guaranteed investment certificates, and CIBC mutual funds.

In 1998, Loblaw Companies Ltd. selected CIBC to launch PC Financial Services in twenty-eight Loblaw stores in Ottawa. PC Financial offered no-fee electronic

The President's Choice Financial Card allowed customers to collect PC Points that could be redeemed for groceries.

banking that included chequing and savings accounts, mortgages, RRSP products, and points toward free groceries for the seven million customers visiting Loblaw stores weekly. "Strategic relationships such as this are an enormous opportunity for CIBC and have allowed us to extend our leadership role in Canadian banking," said Brian Cassiday, executive vice-president, electronic banking.[29]

The in-store banking kiosks attracted quality customers: 73 percent had strong credit scores and were under the age of forty-five; 77 percent said they were "very satisfied" versus only 23 percent who said the same about their previous financial institution.[30] At the end of 1999, PC Financial Services was available through 148 in-store pavilions across Canada.

THE BANK'S OVERALL poor performance, however, meant that compensation paid to Flood and Hunkin was slashed. In 1998, at their request, neither was awarded a bonus. "That was something I offered to do," said Flood. "I wanted to set an example to the executive team and to the employees that there's a penalty to pay."[31] Flood earned $1.1 million in 1998, down from $2.7 million in 1997; Hunkin received $299,178, down from $4.3 million. (Neither received a bonus in 1999.)[32]

At the board meetings in both November and December 1998, directors asked Hunkin about the strategic direction for the United States he'd presented in March 1994 and whether those projected targets were still achievable. Hunkin assured them that in many businesses, CIBC World Markets had an excellent year. One bright spot was Global Crossing Ltd. The relationship began in 1997 when CIBC was a co-investor in the construction of a network of undersea digital fiber-optic cable systems to carry international voice and data telecommunications. CIBC's initial investment was worth $5.4 billion on March 16, 1999.[33]

In hindsight, Hunkin says he believed that it was important to grow the wholesale business, given that CIBC had made no sizeable acquisitions in Canada to propel the retail side. "I was doing what I saw was my job, to try to build what I thought was going to be a profitable business over time. Some parts of it didn't turn out as well as could have been," he said. "If I was to look at that again, overall I would put a lot more attention on the culture in the bank, because what happened, particularly in World Markets, we acquired Merrill Lynch retail twice in Canada, we had Oppenheimer, we had Argosy. A lot of different cultures came together and I think that made the world very difficult to effectively manage. Would I have done it again? Probably differently."[34]

In Flood's view, CIBC World Markets delivered a telling message. "Canadian banks, and CIBC in particular, have to focus on Canada, on our home market. When we move outside of our home market, I don't think we can pretend to be a global institution," he said in a December 1998 conference call with journalists.[35] Other executives wondered if the global strategy was doomed from the outset. "I don't think we knew how risky it was," said Ron Lalonde. "I don't think

we realized how much financial support you would actually need to get something like that working. If you look at the major global banks that have tried to invade the U.S. capital markets, it's a long list of failures and retreats. It was really a period of lost opportunity for CIBC."[36]

At the annual meeting, held on January 21, 1999, Flood officially declared an end to grand global plans, replacing that strategy with a return to the bank's roots. Across Canada, CIBC had more than five million retail, 350,000 small-business, and 10,000 commercial customers. Said Flood, "In response to global consolidation, more intensive competition, and continued volatility, we intend to focus our primary efforts on our customers in Canada, the United States, and the West Indies where we have a critical mass."[37] For most of the previous year, Flood had been trying to enlarge that home market by merging with a major Canadian bank.

21

Two into One Won't Go

The corporate centre policy committee morning meeting on January 23, 1998, had reached agenda item number six when John Ferguson, senior vice-president, corporate communications, arrived with copies of a news release that he'd just received by fax from his counterpart at Royal Bank. The document was entitled "Bank of Montreal and Royal Bank of Canada announce plans for a merger of equals to create a Canadian-based, globally competitive bank."

The planned agenda was abandoned as Al Flood and the other eight attendees debated the sea change that had just roiled Canadian banking. Among the advocates that CIBC should respond in kind with its own merger were John Hunkin and David Kassie, deputy chairman, CIBC Wood Gundy securities. "We had to grow and organic growth wasn't going to do the job," said Hunkin. "I was always worried that we were not being aggressive enough."[1] When Hunkin and Kassie met with Flood later to present their case, Kassie said, "We can't sit on our hands and do nothing. At a minimum, we need to do one, so that we either go through or, more likely, they both get blocked."[2]

Flood had previously championed mergers. In a 1997 submission to the Task Force on the Future of the Canadian Financial Services Sector (known as the MacKay task force after Chairman Harold MacKay, a Regina lawyer), CIBC said Canada should encourage the creation of Canadian-owned global banks that could compete internationally. Said Flood, "If we end up with three or four large Canadian financial groups, Canada could probably sustain that."[3]

To Flood, Toronto-Dominion Bank looked like the best fit. Flood told Hunkin and Holger Kluge that he would cede the role of CEO in a merged bank to TD Chairman and CEO Charles Baillie as long as they were prepared to relinquish the idea of ever becoming a CEO themselves. Kluge and Hunkin were both in their early fifties — their prime career years — but they agreed. "In any kind of a merger, one party becomes the chair and the other party becomes the CEO," said Kluge. "We had no disagreement with that. You have to put yourself in the position of what's in the best interests of the shareholders and the bank."[4]

Kluge and Hunkin were both in Flood's office when Flood called Baillie to propose a merger. Baillie had been named CEO of TD in 1997. Flood had been CEO of CIBC since 1992 and was closer to retirement. Offering Baillie the CEO role in the merged bank demonstrated that Flood was serious about the merger.

Flood and Baillie's first meeting was on a Saturday morning at Flood's house north of Toronto. Sitting at a round oak kitchen table, they agreed to establish exploratory teams. If a deal made financial sense, they would finalize terms. Over the next few weeks, executives from both banks met at a downtown hotel rather than use either head office where they might be spotted and arouse curiosity.

Several major decisions flowed from those sessions. The name Canadian Imperial Bank of Commerce would prevail because CIBC was the larger of the two. Baillie agreed but said the official colour had to be TD green. On April 16, the CIBC board approved the merger. "I won't say it was a shot in the dark," said director Arnold Naimark of Winnipeg, "but I had the feeling that it was a kind of 'We better look at something like this because other people are looking at things like this.' There was more interest on the CIBC side than one sensed from TD."[5]

TD CEO Charles Baillie (LEFT) and CIBC CEO Al Flood announce the proposed merger.

Flood and Baillie made the official announcement the following day. "Customers will be able to get the most complete range of services at the best price through the broadest of channels — from retail outlets to the latest electronic banking networks," said Flood. "We will be able to invest more effectively in new services, in employee training, in updating our entire retail network, and in technology."[6]

The new bank would have been slightly smaller than Royal-BMO and have assets of $460 billion, ten million customers, 74,000 employees, 2,272 branches, and 5,278 ATMs. With a market capitalization of $45 billion, it would have been the ninth largest in North America and twenty-first in the world. Keeping pace was important. In the U.S., between 1994 and 1997, more than US$1 trillion, or one-fifth of banking and thrift assets, had been consolidated. Similar activity was occurring in the Netherlands, Japan, Switzerland, and Germany.[7]

Royal-BMO had announced Royal's John Cleghorn would be CEO with BMO's Matt Barrett and Cleghorn as co-chairs. CIBC-TD went much further. The new name and the top two dozen executives had been decided: Hunkin and Kluge

would be deputy chairs, there would be seven vice chairs (four from CIBC and three from TD), as well as fourteen senior vice-presidents and executive vice-presidents. "The thinking was that if we made it public who would go into which roles, that we could avoid a lot of the speculation — healthy or otherwise — that might occur until the mergers were approved," said CIBC's Mike Pedersen, who would be vice chair, retail/commercial products.[8] "Deal of the millennium smells like roses," analyst Kersi Doodha of Maison Placements wrote to clients. "This partnership is better in several respects than that of the Royal and Bank of Montreal. The announcement of the designated executive team ensures a smooth transition."[9]

UNDER THE BANK ACT, Finance Minister Paul Martin had discretion over merger applications. Martin was surprised by the Royal-BMO announcement; he thought all the banks had agreed to wait until the report of the MacKay task force, expected in September 1998, before taking any major steps.

Once the Royal-BMO plans were made public, Martin did not conduct any polling but most people he heard from in the business community were against the merger. "That was my instinct as well but the Royal and BMO said, 'We want the chance to prove our case in terms of public opinion.'"[10] Martin agreed to let the debate proceed, believing there would be a second merger announcement. "There is no way the remaining four could allow this merger to take place and suddenly find themselves facing this giant," he said.

What then concerned Martin was that if he allowed both mergers, the two bigger banks that resulted would swallow Scotiabank and the National, leaving Canada with two banks instead of six. "We had a very strong banking system and that's what I wanted to maintain. Mergers of this kind would not have been in Canada's interest." Instead, Martin preferred the competition that flowed from having six strong banks. "For instance, CIBC has stood Canada in such good stead. When you look at the Canadian banking system and you compare it to United States or to Europe, I think that's an opinion that's well held."[11]

In Martin's view, the Royal-BMO plan was based on bulking up to compete globally, he said during a 2016 speech at Toronto's Rotman School of Management. But in his mind, the CIBC-TD proposal involved different thinking. "The Commerce actually was a strong proponent. Al Flood wanted to do it," said Martin. "The TD did it as a defensive measure; they did not want to be caught out by the merger of the other two."[12]

AMONG FLOOD'S EARLY SPEECHES promoting the merger was during a June visit to Delhi, Ontario, where he'd been a Bank of Commerce clerk earning $1,600 a year forty-five years earlier. "When I worked here, about the only services banks offered were deposit taking and lending. The ceiling on lending to all borrowers was 6 percent. Life was pleasant and simple. Oh, if we could only keep the status quo," he said. As one example of expanded services, he noted that by year-end, 85 percent of the relationship managers in the surrounding three counties would be fully accredited financial advisors.[13]

In addition to such public efforts, forty-four senior executives from the two banks gathered in June 1998 for a two-day retreat at the CIBC Leadership Centre. Each attendee received two white casual shirts — a long-sleeve and a short-sleeve — with the CIBC logo in TD green. "It was mostly about getting people to know each other," said Rob MacClellan, chairman and CEO of TD Asset Management. "It was a very high level, very social thing, because we were still competitors. There wasn't much you could do until the merger got approved, but we were all focused on how we were going to make this merger work."[14] The discussions were mostly friendly, but there was some friction. "There were definitely a few times I recall thinking, 'Not everybody's on board to do this,'" said Don Wright, CEO of TD Securities. "It was a bit confrontational from time to time."[15]

At TD, the initial enthusiasm soon waned. "While there wasn't a hill of beans' chance that they were going to let this happen, you didn't want to be left without a dance card," said Helen Sinclair, a TD director and former president of

A combined team of forty-four senior executives from TD and CIBC attended a leadership retreat at the Leadership Centre.

FIRST ROW, FROM LEFT: Brian Morris (facilitator), Michael Rulle, Don McCreesh, Bob Kelly, Glen Bumstead, Rob MacLellan, Gerry McCaughey, Lance Uggla, Linda Hohol, Jill Denham, and Richard Venn. SECOND ROW, FROM LEFT: Charlie Baillie, Roger Kluge, Bill Brock, Steve McDonald, Pat Meredith, Jeff Carney, Mike MacBain, John MacIntyre, and Allen Bell. THIRD ROW, FROM LEFT: Al Flood, Peter Watkins, Ken Hight, Wayne Fox, Mark Wheaton, Don Wright, and Heather Conway. STANDING, FROM LEFT: Gerry Beasley, Tom Spencer, Ken Dowd, John Hunkin, Duncan Gibson, Michael Foulkes, Mike Mueller, David Morrison (facilitator), Dan Marinangeli, Mike Pedersen, Paul Vessey, Brian Cassidy, John Ferguson, John Doran, Derek Hayes, Brian Quinlan, David Kassie, Burt Napier, and Ron Lalonde

the Canadian Bankers Association. "We were actually figuring out how you were going to run the organization, but we didn't get far along before we realized this wasn't going to happen. I don't think it was selling in public land."[16]

Indeed, public opinion against the two mergers grew from 44 percent in June to 55 percent in October.[17] "There was no time to create any kind of recep-

tive public environment," said David McGown, who was responsible for CIBC's government relations. "You would probably have needed a two-year communications effort."[18] Many newspaper editorials were anti-merger. Opposition also came from the New Democratic Party and the Canadian Federation of Independent Business. Many members of Parliament feared that mergers would reduce competition, cause job losses, and mean fewer rural branches. But among CIBC employees, 72 percent approved the merger.[19]

Some CIBC bankers were already well aware of important contrasts between the two banks. Micheline Gillies and her husband, Georges St-Louis, both worked in Montreal for Toronto-Dominion Bank until her husband was transferred to Sherbrooke, Quebec, in 1994. There was only one TD branch, so because they were a married couple, they couldn't both work in that branch. After fourteen years with TD, Micheline joined the CIBC branch at King and Belvedere in Sherbrooke, handling personal loans and mortgages as well as selling mutual funds and other retirement products.

While the work was the same as she'd done at TD, there were noticeable differences. "We didn't have as much support at TD as we had at CIBC. When I started with CIBC, we had regular meetings for the advisors with different experts," Gillies said. "When I had a question, there was always somebody that I could turn to for the proper advice. I was much better equipped on the investment side after I started with CIBC than when I was with the TD."[20]

Moreover, communications within CIBC was always consistent. "When you spoke to one department, or if you spoke to somebody higher up, the message was always the same. There was no misinterpreting the way the bank wants things to be done or where the bank is heading," she said.

Gillies worked in other branches in the Eastern Townships, then became branch manager in East Angus. For Gillies, the main distinction among the major banks is how they deal with the customer. "A personal loan is a personal loan and a mortgage is a mortgage. What's going to differentiate is the people that a customer is dealing with," she said. "Are we paying attention to what it is that they need? Are we paying attention to what it is that their future is holding? Are

we paying attention to all of their life goals so that we're in a position to provide them with the right product or the right service?"

THE PROPOSED MERGER'S senior integration committee consisted of Holger Kluge and Mike Pedersen along with TD's Bill Brock, deputy chairman, and Robert Kelly, vice chairman, retail branch banking. "I felt our discussions with TD were very amicable. We always got along with them," said Kluge. For those involved, it was as if they had two jobs. "You had your business as usual running the bank and then you had this other, so it made for a hectic six months," said John Ferguson. "We all worked hard; we put a lot of time and effort into it."[21]

Despite rumblings that Ottawa would not approve, Flood pressed on. A second gathering of more than forty senior executives from the two banks was held in late September on the fifty-fourth floor of TD headquarters. During October and November, Flood met with Paul Martin, other cabinet ministers, and caucus leaders. He spoke to the House of Commons Finance Committee, the Senate Banking Committee, and delivered speeches in Regina, Saskatoon, Winnipeg, Halifax, Moncton, and elsewhere.

Four bodies provided Martin with guidance on mergers: the MacKay task force; the Bureau of Competition Policy; the Office of the Superintendent of Financial Institutions (OSFI); and the National Liberal Task Force on Financial Services, known as the Ianno task force for Toronto MP Tony Ianno. The investigation by the Competition Bureau was particularly extensive: seventy-five open-ended questions ranging from a request for all business plans during the previous three years all the way to such specifics as the extent to which customers had switched deposits or guaranteed investment certificates to mutual funds during the last three years.[22] The merger integration office led by Ron Lalonde, chief administrative officer, CIBC World Markets, sent more than 500,000 pages of material to the bureau, focusing on those locations where CIBC-TD would have more than a 35 percent market share, a threshold set by the bureau.

In September, the MacKay task force reported that bank mergers were an accepted business strategy and recommended a "flashing yellow light" — proceed with caution. In November, the 238-page Liberal task force report, signed by fifty-five members of Parliament, opposed the mergers. OSFI was more sanguine, saying the mergers would have no impact on the banks' financial viability, safety, or soundness.[23] The Competition Bureau studied 179 smaller centres where CIBC and TD overlapped and concluded that the mergers would cause problems in thirty-six markets, might reduce competition in fifty-three others, but would not affect competition in another ninety. [24] In a December 11 letter to Flood and Baillie, the bureau concluded that a CIBC-TD merger was "likely to lead to a substantial lessening or prevention of competition that would cause higher prices and lower levels of service and choice for several key banking services in Canada."

The next day, Flood and Baillie both happened to be in New York so they flew to Ottawa together to meet Martin at his request to hear him reject the mergers. "Martin told us the decision and indicated that having four of us involved made it easier than just having two," said Flood.[25] On December 14, 1998, Martin publicly announced his decision, saying, "Allowing the mergers would further concentrate a very high level of economic power in the hands of an even smaller number of very large institutions."[26]

Flood still believes in the merger strategy. "We had to do something. I think we did the right thing," he said. "The penalty was a huge distraction and in retrospect you wish it'd never happened because you could have gone on and built your company. But you have to react to these things; you can't sit still."

THREE DAYS AFTER THE MERGERS were denied, Flood told the board's corporate governance committee to begin seeking his successor.[27] "I think that he could see a different future with Charlie Baillie," said director Margot Franssen. "Sometimes people are ready to be just chair and not CEO. It took the oomph out of him and he was ready to retire."[28] Flood told the committee he preferred an internal successor

and urged separating the roles of chairman and CEO. Chairman of the corporate governance committee was Alf Powis. The committee looked at splitting the roles but decided not to recommend any change. For Powis, the bank was too complex to have a chairman who wasn't involved in day-to-day operations. "Despite my years of association with this bank," said Powis, "I don't feel I'd be qualified to serve as its chairman."[29]

The selection committee began by studying resumés of a dozen individuals in the organization before focusing on Kluge and Hunkin. No outside candidates were considered. The two candidates' backgrounds couldn't have been more different. Kluge emigrated from Germany in 1959 at seventeen and joined the Imperial Bank in Montreal. Manager Bill Williams of Montreal's Phillips Square branch told Kluge that branch manager would be his career limit. "I'm Welsh, I should have been regional general manager, but I never got it," said Williams. "You have a German background, it's the same issue." Such statements just energized Kluge.

For Hunkin, the bank was a family business. His father, Peter, joined the Commerce in 1927 and retired in 1972 as regional general manager of Manitoba and northwestern Ontario. Hunkin began as a collections clerk during the summer holidays at a Toronto branch. He joined the bank full-time in 1969 after completing his MBA from York University.

At the March 4 board meeting, directors heard speeches from both Hunkin and Kluge; questions followed. Kluge told directors he would rebalance capital allocation from 60 percent wholesale and 40 percent retail toward a higher retail proportion. The U.S. business would become more of a niche player in mergers and acquisitions. "I was concerned about growth," said Hunkin. "We didn't acquire any of the trust companies and

FROM LEFT John Hunkin, Al Flood, and Holger Kluge

that's still impacting on us today."[30] Hunkin and Kluge agreed in advance that whoever won, the other would leave. "They never consulted with me about that and I was a bit disappointed," said Flood. "The one could have used the services of the other while there was a transition. It would have been beneficial for them because they were both very capable people."[31]

On April 1, the board gathered for coffee and pastries until the gong sounded for the 9 a.m. meeting. Directors discussed other matters, took a break at 10:15, and then reconvened at 10:30. Kluge and Hunkin did not return to their usual seats on Flood's left. Hunkin waited in a room down the hall; Kluge was in his fifth floor office. Powis named Hunkin as the committee's choice. "John led his part of the bank in directions some people have criticized but the board thought were fundamentally right," said Powis.[32] After a series of discussions and votes, the board unanimously voted for Hunkin. "It took a longer period of time because there was the feeling that either one of them would have been a good choice," said director Bill Davis. Said Margot Franssen, "We were just ready to have somebody like John, kind of a young spitfire at that time."[33]

The poor 1998 results in CIBC World Markets had not hurt Hunkin. "It was a pretty even split on the board in terms of who was the right one," said director Bill Etherington, senior vice-president, IBM Corp., New Canaan, Connecticut. "The feeling was that it looked like the future was going to be more on that side of the bank than on the retail side. Hunkin had some experience on that side."[34]

Among the first people Hunkin phoned was his widowed mother, Ethel. "I've been appointed chairman and chief executive officer of the bank." "Well," said his mother, "what bank?" "You know what bank, CIBC." Concluded Hunkin, "The way she handled it was there's no way that the son could rise above where the father had been." Ethel, then ninety-two, suffered short-term memory loss. Shortly after Hunkin's call, his brother Peter phoned to say that he'd just spoken to their mother about the appointment and said he should call her. "Pete, I called her a half an hour ago," said Hunkin. "The good news is we can call her every day and make her happy again."[35]

The rest of Hunkin's day included teleconferencing with the top 300 executives and a phone session with financial analysts while the media listened. A week later, Hunkin flew to Hong Kong to pay his respects to Li Ka-shing. The rest of April was mostly spent travelling to Vancouver, Calgary, Winnipeg, Montreal, and Halifax for town halls with employees as well as meetings with clients and institutional investors. Flood urged Kluge to stay on in a vice chairman role, but Kluge resigned as he'd previously agreed.

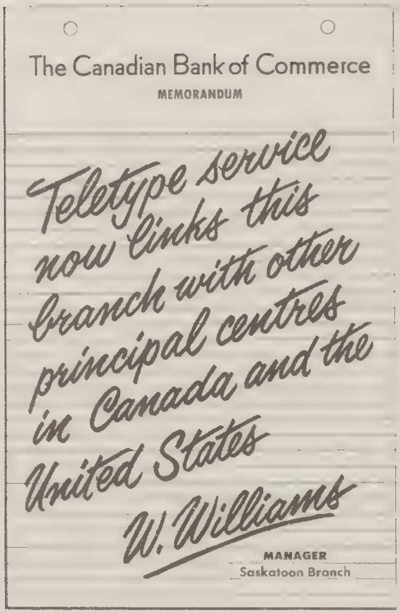
ONCE HUNKIN OFFICIALLY took over as chairman and CEO on June 3, 1999, his cost-cutting plans included reducing employment by 4,200 and closing the CIBC Leadership Centre. Hunkin also said he would reverse the capital allocation of 60 percent for wholesale banking and 40 percent retail to a forty-sixty split. About the same time, it became apparent that Canada Trust was for sale. When Flood and Baillie had met with Martin in December 1998, each met with the minister separately in addition to their mutual discussion about the disallowed merger. During his private session, Baillie asked if TD could buy Canada Trust. Martin said he had no problem because TD was a small bank. Other larger banks might not have received approval.[36] CIBC did not make an offer. "We looked at it hard and if we could have liquefied our Global Crossing investment, which we couldn't, we probably would have been pretty aggressive in trying to do that deal," Hunkin said. In August, TD Bank announced an $8 billion agreement with Canada Trust. Martin approved.

During Flood's era, assets had more than doubled from $126 billion to $270 billion while employment grew from 42,600 to 46,000. The number of branches fell from 1,515 to 1,370, while ATMs rose from 2,596 to 5,500, the largest network in Canada. Flood remains modest about his impact as CEO. "When you look at the history of the bank, started in 1867, I was only there seven years, so that's a pretty small percentage," said Flood. "We made a lot of progress. I tried to always take a long-term view, not quarter by quarter. To be chairman and CEO of a bank is quite an honour. I felt I grew as much as the bank did."[37]

22

The Future is Now

Of all the changes that marked the past and made the future, nothing has done more than technology to revolutionize how CIBC employees can better serve clients in ways that are both efficient and effective. In the twentieth century, that ongoing transformation began in 1901 when handwritten correspondence was replaced by typewritten documents. In 1924, the head office foreign department was first connected by telegraphic wire to New York and Havana. In 1946, branches were linked by teletype communications that supplanted a Morse code transmitting system.



Print advertisement created specifically for the Saskatoon, Saskatchewan branch, noting the branch's teletype service.

Beginning in the 1960s, International Business Machines (IBM) began offering mainframe computers that filled large rooms. When Commerce Court West opened in 1973, the fastest mainframes yet were installed below ground level in nuclear-proof vaults.

In 1977, the newly opened Granville Place — a redevelopment project that featured a sixteen-storey bank tower at Duke and Barrington Streets in Halifax — included the main branch, headquarters for Atlantic Canada, and a data centre. J. Donald Simpson, regional general manager, said, "All the cheques and receipts from our Halifax branches are processed there, and this will help relieve the workload at the other branches in the area, giving our employees more time to handle customer service."[1]

In 1980, 24-hour cash dispensers were replaced by Instant Tellers, an even more versatile machine that allowed customers to conduct routine banking on a self-serve basis, thereby ushering in a new era of customer convenience.[2]

Soon after, IBM personal computers, each the size of a small stove, were installed in branches. The computers required special carpentry so they could be fitted into the counter between two tellers sharing a machine. Each teller had to insert a key in order to enter a transaction. "Sometimes we forgot to close our side so there were transactions done by the other teller on our cash," said Carole Bachand, who worked at the branch in Waterloo, Quebec, at the time. "At the end of the day, we didn't balance because of that, so there was a lot of manual work."[3]

ABOVE: An employee in the Commerce branch at King and James in Hamilton, demonstrates the IBM 100 cheque clearing machine. FROM LEFT: Stanley M. Wedd, chairman of the board; James Stewart, president; Mayor Thomas Jackson; N.B. Weir, Hamilton manager; and H.J. Lang.

LEFT: Bruce Cardinell, supervisor, computer operations, sits at the console of the IBM system 360 at the Toronto data centre, 1966.

Despite the ever-changing and more automated environment, the bank tried to minimize employee disruption. Bob Van Wart, who was in charge of methods and organization in Atlantic Canada, made certain that computerization did not result in layoffs. "I said these are smaller branches in smaller communities. We need to find ways to do this through attrition. They could be fired because of poor performance, but they never lost their jobs because of layoffs in branches."[4]

Beyond the branches, the advent of computerization allowed improvement and expansion of some of the bank's most successful products. By 1980, CIBC was providing payroll accounting services to more than 4,000 organizations ranging in size from thirty to 35,000 employees. Such development attracted attention. "The new strategy and organization demanded a commitment to using state-of-the-art information technology," wrote James L. Darroch in *Canadian Banks and Global Competitiveness*. "The CIBC of the 1980s was proud to discuss how its computer terminals enabled it to provide better information and service, both internally and to customers. By the 1986 annual report, the intent to become a leader in new information technology was apparent."[5]

In 1987, annual operating costs of technology had risen to $200 million. The bank spent an additional $120 million for the development and acquisition of new hardware and software. As a result, its systems included automatic credit card authorization terminals, which sped up customer purchases, as well as a computer network with 23,000 terminals that could process 7.2 million transactions daily. The bank was also the first to replace manual general ledgers in the branches with automated general ledgers.

The positive results were becoming apparent throughout CIBC. Wrote Don Fullerton in the 1987 annual report, "Technology frees our employees from routine tasks so they can devote more time to assisting customers with information and guidance — helping them in their budgeting or financial management, counselling them in debt management, or helping them to secure loans and mortgages."[6]

With ATMs well established in 1992, CIBC was the first Canadian financial institution to offer personal banking clients automated telephone banking service on a 24-hour basis nationwide. Once the number of telephone subscribers

had reached 450,000 in 1995, the next year the bank opened call centres in Halifax and Regina, employing a total of more than 700 people. The centres, which cost $54 million, could handle thirty million calls annually.[7] A third call centre, employing 500, was opened in Toronto in 1997. In 1998, CIBC registered its one-millionth telephone-banking client.

Beginning in 1991, the use of sophisticated computer credit assessment was instigated throughout the bank's retail operations to help evaluate not only consumer risk but also monitor loans. Consumer Loan and Accounting Servicing System (CLASS) was originally designed as a credit scoring system for personal lending. CLASS was later expanded to include demand loans and placed the responsibility for loans onto the branch books. Ron Ashenhurst, formerly with risk management, was designated to tour the branches and describe the benefits of credit scoring using CLASS. While explaining the new technology to employees, Ashenhurst learned something about himself. "I learned I was pretty adaptable and able to learn a lot of new technology. I had never used a personal computer before and in 1986 started using one and became pretty adept," he said. "I learned a lot of new skills. There were lots of things that I would never have imagined I would have done, like working with a producer making training videos."[8]

COMPUTER COSTS rose exponentially. In 1978, capacity at the Toronto data centre was augmented by the purchase of an IBM 370/168 computer that cost $5.3 million as well as two IBM 3033 computers at $5.1 million each.[9] On January 2, 1992, the executive committee approved $48.4 million for installation and upgrading of hardware in the Ontario computer centres of Streetsville, Markham, and Commerce Court. A few expenditures must have seemed mysterious to the uninitiated: in June 1992, the full board approved $40.5 million "to install a high-speed, fault-tolerant packet network for APEX conversion."[10]

Some bank directors saw technology spending as an unstoppable juggernaut. "Computers were changing, IBM was changing every year, and we were changing with them — $25 million, $30 million, $40 million, then it's $60 million a year,"

said Richard Sharpe, chairman and CEO of Sears Canada. "I was so concerned about it that I asked IBM if I could go to their school, take a course in computer programming, and look at their equipment and where they were going."[11] In 1995, CIBC spent a total of more than $500 million on information technology.[12]

But the bank didn't just rely on manufacturers; employees developed in-house systems. On the eighth floor of Commerce Court West, technology experts monitored the day-to-day health of various systems shown on fifteen different screens. Fred Pyziak, manager of development for CLASS — and involved with the bank's technology for thirty-five years — worked with technical specialist Anne McMillan to create automated voice alert (AVA). AVA consisted of a personal computer able to gather together the work of fifteen monitors onto a single screen and thereby scan all the systems simultaneously. AVA could broadcast an alert so staff were able to fix some minor technical problem before it blossomed into a systems outage.[13]

Working next with Dee Thakker, Pyziak moved beyond that first prototype to develop the even more sophisticated automated detection alert management (ADAM). Said Pyziak, "ADAM was able to keep track of the entire schedule, and anytime something happened — like an outage of applications — ADAM would alert senior management." ADAM worked so well that the division was able to reduce in two years the number of human schedulers watching for trouble from sixty-six to twenty-eight.

AS TECHNOLOGY ADVANCED, CIBC was able, for the first time, to understand the customer as a whole person. Previously, for example, the credit card group might not be aware of a customer's other relationships with the bank. "My role was to establish a slightly different twist on data we called data management," said Shekar Iyer, who had a doctorate in electrical engineering and joined CIBC in 1986 as vice-president, CIBC securities. "The idea was to take a more holistic view of data, cutting across the organization."[14]

Iyer set out to bring technology and the businesses closer. "When I was in

CIBC securities doing technology for the mutual funds group, we were able to link the customer file for mutual funds with the customer file for the other parts of the retail business." Similarly, Imperial Service, established in 1997, was only possible once the bank knew which clients contributed the highest profitability. "The whole concept of Imperial Service was to try to make a classification of high-value customers and why we need to pay more attention to those customers," said Iyer. "The customer has a mortgage, credit card, deposit account, and a personal chequing account. The value of that customer to the bank is way higher than somebody who just has a chequing account."

Employees upgraded their skills in order to work with Imperial customers. Diann Robar joined CIBC in 1974 as a secretary in the business development and marketing office in Halifax. Said Robar, "I was only twenty years old, but I was always trying to move upwards."[15] In 1991, when Robar was in the mall branch on Bayers Road in Halifax, she took the Canadian securities course so she could perform mutual fund and securities transactions. In 1995, she moved to the Barrington Street branch, doing similar work.

By 2000, Robar's investment experience was such that she became an assistant to Brian Thompson, private banking advisor in Halifax and then continued in a similar role with Tim Gibson. Licenced by the Investment Dealers Association, Robar processed investment orders for high-net-worth clients. "I started off with a manual typewriter," said Robar, "so technological changes were quite dramatic over time. The changes came in gradually in the first twenty years, but then the changes were fast and furious."

TECHNOLOGY ALSO ALTERED the bank's internal communications. For example, on March 6, 1992, CIBC announced that general circulars declaring policy and procedural changes would no longer be sent in printed form to the branches. Instead, all such notifications would arrive via email. The employee publication was updated to reflect the changing technological times. In 1999, *The News* was renamed *CIBC Now* and went online in 2000.

By 1993, the number of CIBC employees who used personal computers at work had grown five-fold in the previous ten years. "Today, I have more computing power in my car than existed in that first mainframe, and many times more on my credenza," said Al Flood in 1994. "It is the equivalent of moving from the covered wagon to space travel in less than one generation."[16]

A two-day strategic planning meeting held in April 1994 included the members of the management committee, other senior officers of the bank, and Tsun-yan Hsieh of consulting firm McKinsey & Co. Among the topics discussed by the twenty-eight attendees were financial performance, talent, profitability, and technology. Hunkin noted that this was the first time in Canadian banking that a major bank was prepared to let go of bricks and mortar and use the new technologies that it had built.

Burt Napier, who joined the bank in 1994 as executive vice-president of operations and technology, worked with the bank's Delta Plus strategy. "We want to be seen as what we are — positive contributors to and partners in the success of CIBC's businesses and not as overhead," Napier told *The News* in 1995. "That means technology is more important to CIBC than ever. We have an opportunity to reinvent ourselves."[17]

In 1996, Napier established INTRIA Corp. — an equally owned partnership with Scotiabank to process cheques, bills, and credit card drafts — and INTRIA Items Inc., a joint venture between INTRIA Corp. and Fiserv Inc. of Brookfield, Wisconsin, for optical storage and retrieval of cheques. In 1998, INTRIA and Hewlett-Packard Co. of Palo Alto, California, formed a joint venture called INTRIA-HP, the first company in Canada to provide financial processing and electronic commerce services to companies across North America. By 1999, INTRIA and INTRIA-HP were handling more than three billion transactions a year for CIBC branches. The cost of running operations was $576 million, a more than 50 percent savings from the original budget of $1.36 billion.

Said Napier, "Having these two partners, HP and Fiserv, brought all the discipline and 49 percent of the capital but left the bank in charge of its own operations legally and technically while giving them the skills and performance ability of two

Balloons mark the official opening of INTRIA's head office in Toronto, 1996.

of the best companies in the business at the time."[18] INTRIA Corp. employed 4,800 from CIBC (formerly the transaction and technology processing units) and 1,400 from Scotia, while INTRIA-HP saw 950 bank employees transferred to the new entity. "We'd streamlined the bank and got the cost way down," said Napier, "but we had also really improved the profitability of the bank overall."

Even so, INTRIA did not generate the level of revenue initially envisioned because of a cautionary intervention by bank director Bill Etherington of IBM. "I think my biggest success was in pushing back on the desire by the bank's IT leaders to take the bank into outsourcing as a major new business," he said. "I was convinced through my own knowledge of other firms having failed in similar attempts to start such non-core businesses in the face of fiercely competitive established outsourcing players — such as IBM, EDS, Accenture, HP, etc. — to whom this was their core business. We were a bank and I felt we should focus our time and IT investments on what we knew best."[19]

THE FINAL FRONTIER was the arrival of the Internet. Begun in 1969 as a U.S. military experiment, by 1995 there were an estimated forty million users worldwide. The bank's first Internet site, unveiled on December 15, 1995, provided

information such as ATM locations and telephone numbers for Visa. A questionnaire allowed customers to become involved in CIBC's online future. Said Teresa Chong, general manager, strategic planning and new channel development, "CIBC is asking customers to help define the role of Internet banking by contributing their ideas about the types of banking services they would like to see on our site."[20] By 1998, the website was drawing 180,000 visits per month.[21]

As personal computers for the home and office became more popular, CIBC launched its PC banking service in October 1996. Customers could check balances, transfer funds between accounts, and pay bills.[22]

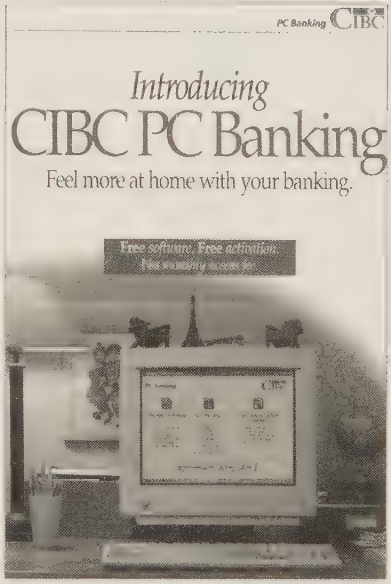
An expanded version gave clients access to accounts while providing optimum security and speed of transactions using free software and charging no monthly fee, making CIBC the only bank that did not charge a service fee. More than 160,000 merchants, a third of which were CIBC customers, offered Interac direct payment; more than 1.3 million CIBC customers were using debit cards.[23] By 1998, annual spending on technology by CIBC had grown to $1.2 billion.[24]

CIBC's early adopter investment in technology meant that in 1999, more than 90 percent of the bank's retail transactions flowed through electronic channels. It had almost two million telephone banking customers and 500,000 PC banking customers.[25]

FOR ALL ITS MULTIPLE ADVANTAGES, technology could cause headaches such as the Y2K problem, also known as the millennium bug. The issue arose because the worldwide computer practice was to use two digits, rather than four, to record years — 1996 was simply 96. The concern was that computers might not recognize the new century and read 00 as 1900 rather than 2000. Concerned observers claimed that at midnight on the last day of 1999, confusion and customer disruption would ensue; some firms might even go bankrupt.

In charge of solving CIBC's Y2K issues was John Burns, who joined the bank in 1994 after working at IBM and Microsoft. "I had no idea how big it was at

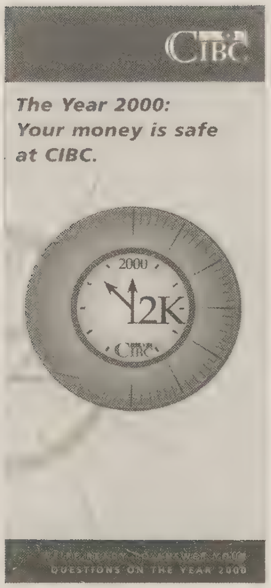
the time," said Burns, vice-president, CIBC Year 2000 project. "I got a couple of people to start looking at some systems and found out that it was a big problem. I didn't tell anybody how big it was going to be because nobody would have believed me."[26] Burns established a plan: fix and update all systems in 1997 and 1998 and then conduct testing in 1999. The number of people working on the problem peaked at 1,000 in October 1998. More than one hundred million lines of program code had to be converted.[27] Said Burns, "The Canadian banks were so far in advance of everybody else and we were one of the leaders in that group."



CIBC partnered with IBM to produce the best possible PC banking package.

Even in 1997, by which time updating efforts were well under way at CIBC, some organizations remained blissfully unaware. A Statistics Canada survey that year found that 91 percent of businesses were aware of the Y2K problem but only 6 percent of small business had taken action.[28] In response, CIBC — in conjunction with Industry Canada — trained 200 high school students to work with small-business owners in order to identify and solve Y2K problems. The bank also negotiated reduced prices so small-business customers could more affordably purchase IBM computer systems that were Year 2000 ready.[29] In the end, the bank's total expenditure on its own Y2K preparedness was $228 million.[30]

As January 1, 2000, approached, some Canadians stockpiled food. Others worried that airplanes would fall from the sky when traffic control computers failed. While CIBC was fully prepared, there remained a concern that some errant international event could disrupt the entire banking system. As a result, CIBC branches were supplied with sealed bags containing extra cash in case



CIBC was ready for Y2K

of nervous clients; armoured trucks with additional cash were placed on standby in major cities.

The final nerve-wracking countdown began at 6 a.m. Toronto time on December 31, 1999, when the calendar turned to 2000 on the other side of the world in Auckland, New Zealand. John Burns and his staff then followed the clock to see how the bank's worldwide network of computers reacted to the arrival of the new year. There was a minor glitch on a Visa interest calculation that was quickly fixed, but otherwise everything worked perfectly. Y2K was just one of the many thorny issues that was successfully solved by crafting and carrying out a plan using in-house talent and knowledge-based teamwork.

WHETHER IT WAS THROUGH technology or technique, new products or old-fashioned quality service, over the decades, thousands of CIBC employees built the bank by problem-solving using competence and creativity to help millions of clients achieve their goals. As a result, CIBC is renowned across Canada and respected around the world for its ability to provide leadership for the innovation economy. The bank salutes the past with pride and resolves to meet the choices and challenges that lie ahead with the vigour and vision that will lead to success for all.

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Appendices

APPENDIX 1

AT A GLANCE

YEAR	EMPLOYEES	BRANCHES	ATMS
1973	25,217	1,652	
1974	27,696	1,695	
1975	29,979	1,744	
1976	32,784	1,784	
1977	33,635	1,823	
1978	35,144	1,832	
1979	36,111	1,809	
1980	36,713	1,801	
1981	36,844	1,710	
1982	34,955	1,662	198
1983	33,525	1,640	320
1984	32,689	1,627	509
1985	33,587	1,616	561
1986	33,914	1,586	644
1987	33,874	1,534	741
1988	36,194	1,528	987
1989	36,466	1,539	1,399
1990	35,811	1,527	1,914
1991	34,593	1,529	2,405
1992	34,426	1,515	2,596
1993	41,869	1,453	2,754
1994	40,807	1,428	2,887
1995	39,329	1,390	2,990
1996	41,606	1,392	3,032
1997	42,446	1,386	3,169
1998	47,171	1,359	3,849
1999	45,215	1,266	5,500

APPENDIX 2

SHARE INFORMATION

YEAR	NUMBER OF SHAREHOLDERS	LOW ($)	HIGH ($)	EARNINGS PER SHARE	DIVIDENDS DECLARED ($)
1973	31,375	$ 6.56	$ 8.38	$ 0.67	$ 0.96
1974	31,024	$ 4.81	$ 7.88	$ 0.73	$ 1.11
1975	30,842	$ 5.41	$ 7.10	$ 0.96	$ 1.18
1976	29,753	$ 5.69	$ 7.25	$ 1.05	$ 1.28
1977	29,791	$ 5.41	$ 6.50	$ 1.08	$ 1.40
1978	31,333	$ 5.85	$ 7.88	$ 1.33	$ 1.45
1979	32,234	$ 5.78	$ 7.81	$ 1.29	$ 1.60
1980	32,602	$ 5.44	$ 7.47	$ 1.23	$ 0.90
1981	32,537	$ 6.44	$ 8.03	$ 1.88	$ 0.95
1982	31,572	$ 4.06	$ 7.91	$ 1.51	$ 1.04
1983	29,387	$ 6.28	$ 9.94	$ 1.56	$ 1.04
1984	27,393	$ 5.56	$ 8.10	$ 1.22	$ 1.04
1985	26,729	$ 6.66	$ 9.94	$ 1.47	$ 1.04
1986	33,727	$ 8.38	$ 11.00	$ 1.16	$ 1.08
1987	32,942	$ 7.88	$ 11.82	$ (0.40)	$ 1.08
1988	31,391	$ 8.44	$ 12.94	$ 1.67	$ 1.14
1989	28,327	$ 11.38	$ 16.25	$ 1.14	$ 1.24
1990	29,165	$ 10.82	$ 16.82	$ 2.02	$ 1.32
1991	27,227	$ 10.82	$ 16.50	$ 1.97	$ 1.32
1992	26,775	$ 12.57	$ 18.50	$ (0.30)	$ 1.32
1993	26,441	$ 11.82	$ 16.82	$ 1.50	$ 1.32
1994	26,131	$ 14.00	$ 18.13	$ 1.76	$ 1.32
1995	24,438	$ 15.57	$ 18.57	$ 2.09	$ 1.48
1996	24,313	$ 18.00	$ 28.30	$ 3.02	$ 1.70
1997	25,530	$ 26.55	$ 41.75	$ 3.51	$ 1.05
1998	27,225	$ 24.40	$ 59.80	$ 2.26	$ 1.20
1999	27,007	$ 28.00	$ 42.60	$ 2.23	$ 1.20

Stock split:

- 3/27/1997: 2 for 1
- 1/31/1986: 2 for 1

APPENDIX 3

INCOME STATEMENT

YEAR	TOTAL INTEREST INCOME ($000s)	TOTAL REVENUE ($000s)	PROFIT/NET INCOME ($000s)
1973	$ 416,153	$ 512,281	$ 54,928
1974	$ 504,493	$ 617,142	$ 63,329
1975	$ 624,076	$ 768,527	$ 93,943
1976	$ 711,971	$ 875,828	$ 110,898
1977	$ 792,280	$ 967,068	$ 120,620
1978	$ 923,205	$ 1,122,060	$ 153,526
1979	$ 957,965	$ 1,206,769	$ 186,301
1980	$ 1,051,981	$ 1,362,030	$ 171,000
1981	$ 1,453,000	$ 1,816,000	$ 343,000
1982	$ 1,568,000	$ 1,977,000	$ 199,000
1983	$ 1,711,000	$ 2,156,000	$ 144,000
1984	$ 1,671,000	$ 2,171,000	$ 248,000
1985	$ 1,927,000	$ 2,496,000	$ 334,000
1986	$ 2,055,000	$ 2,719,000	$ 311,000
1987	$ 2,237,000	$ 3,056,000	$ -18,000
1988	$ 2,609,000	$ 3,582,000	$ 591,000
1989	$ 2,937,000	$ 4,139,000	$ 450,005
1990	$ 3,017,000	$ 4,392,000	$ 802,447
1991	$ 3,428,000	$ 5,009,000	$ 811,000
1992	$ 3,532,000	$ 5,301,000	$ 12,000
1993	$ 3,745,000	$ 5,648,000	$ 730,000
1994	$ 4,002,000	$ 6,254,000	$ 890,000
1995	$ 4,074,000	$ 6,332,000	$ 1,015,000
1996	$ 4,463,000	$ 7,355,000	$ 1,366,000
1997	$ 4,517,000	$ 8,497,000	$ 1,551,000
1998	$ 4,337,000	$ 9,141,000	$ 1,056,000
1999	$ 4,408,000	$ 10,136,000	$ 1,029,000

APPENDIX 4

BALANCE SHEET

YEAR	TOTAL ASSETS ($000s)	LOANS ($000s)	DEPOSITS ($000s)
1973	$ 16,101,666	$ 8,984,594	$ 14,801,144
1974	$ 18,946,881	$ 11,509,598	$ 17,394,427
1975	$ 22,259,053	$ 13,488,454	$ 20,146,034
1976	$ 26,104,043	$ 16,354,823	$ 23,867,587
1977	$ 31,969,249	$ 19,549,517	$ 29,316,320
1978	$ 38,272,351	$ 23,011,289	$ 35,006,713
1979	$ 45,994,557	$ 28,397,690	$ 41,875,409
1980	$ 55,428,227	$ 33,830,217	$ 48,551,414
1981	$ 66,844,621	$ 43,825,648	$ 57,208,910
1982	$ 68,436,251	$ 53,580,284	$ 60,270,127
1983	$ 68,112,030	$ 49,120,424	$ 60,268,868
1984	$ 68,117,500	$ 51,078,017	$ 59,330,140
1985	$ 75,834,339	$ 55,445,628	$ 65,087,601
1986	$ 80,841,499	$ 57,165,953	$ 67,516,011
1987	$ 88,374,898	$ 63,589,314	$ 72,011,643
1988	$ 94,687,528	$ 67,286,505	$ 72,586,836
1989	$ 100,212,635	$ 72,531,661	$ 78,872,491
1990	$ 114,196,406	$ 83,330,626	$ 90,109,902
1991	$ 121,025,145	$ 86,360,808	$ 95,471,180
1992	$ 132,212,000	$ 94,927,000	$ 107,018,000
1993	$ 148,116,000	$ 97,181,000	$ 110,905,000
1994	$ 157,375,000	$ 99,938,000	$ 115,462,000
1995	$ 186,508,000	$ 110,121,000	$ 129,482,000
1996	$ 210,232,000	$ 133,818,000	$ 127,421,000
1997	$ 237,989,000	$ 145,489,000	$ 138,898,000
1998	$ 281,430,000	$ 152,257,000	$ 159,875,000
1999	$ 250,331,000	$ 136,350,000	$ 160,041,000

Acknowledgements

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Rod McQueen
January 2021

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Illustrations indicated by page references in bold italics

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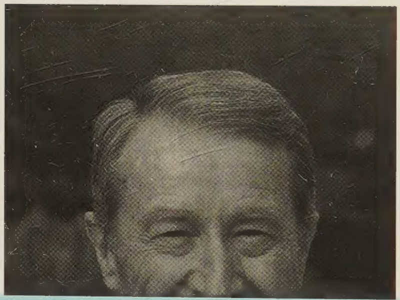

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